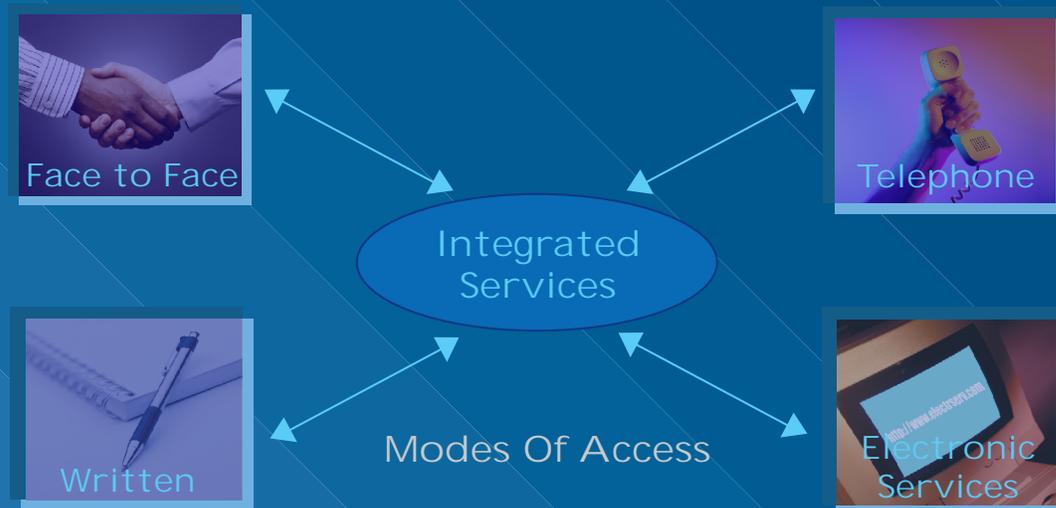




PATA Benchmarking Study Report on Customer Service



Sponsored by
United States Internal Revenue Service

October 1999

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FIGURE 4.2

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EXECUTIVE SUMMARY

This benchmarking effort seeks to capitalize on the experience and innovations of PATA members and of other world-class private and public organizations.

The member nations of the Pacific Association of Tax Administrators (PATA) have sponsored an international benchmarking study to identify world-class innovations and best practices in the area of customer service. This benchmarking effort seeks to capitalize on the experience and innovations of PATA members and of other world-class private and public organizations, allowing PATA members to benefit from some of the many recent improvements in the area of customer service philosophy, practices, and technology.

At the April 1998 PATA meeting, the member nations adopted the premises that customer-focused organizations provide a wide range of communication options and that the PATA organizations want to allow taxpayers to initiate and respond to questions through a variety of media.

Members agreed to participate in a customer service benchmarking study focused on modes of customer contact. All the member nations accepted the study scope at the October 1998 PATA meeting. The six-month benchmarking study, led by the U.S. Internal Revenue Service (IRS), began in January 1999. The study team was comprised of participants from Australia, Canada, Japan, and the United States. The IRS retained SRA International, Inc. to provide benchmarking expertise and support.

The study team adapted Revenue Canada's modes of access model to present the PATA improvement initiatives as well as industry world-class best practices derived from secondary research. This model includes four modes of access, *face-to-face*, *written*, *telephone*, and *electronic services*, which tax offices in each nation use to communicate with their taxpayers. The model also includes support elements such as *integrated services*, *external partnerships*, and *organizational attributes for success*.

The cooperation among the nations and the wealth of information members shared provided the first measure of success.

The cooperation among the nations and the wealth of information members shared provided the first measure of success. PATA members each presented excellent briefings during the site visits. Face-to-face collaboration, both during the visits and at the Information Exchange Workshop in Atlanta, contributed to the excellent and useful results of the current study and paved the way for continued sharing of good ideas.

EXECUTIVE SUMMARY

The study is a means to share improvement initiatives and industry world-class best practices among the four member nations. Each nation is unique, with its own legislated mission, national culture, client demographics, and tax administration environment. It was not the intent of the study to compare or judge the various improvement initiatives or approaches to customer service reported by the member nations, and no side-by-side comparisons are offered.

It was also not the intent to prescribe approaches that have worked for other organizations. The report summarizes the nations' 80 improvement initiatives in chapter 2, and presents a comprehensive report of each nation's environment and initiatives in the appendices. Chapter 3 provides information on 27 world-class best practices. This information is offered to the PATA nations for use or for choosing practices that best serve their needs. An implementation framework in chapter 4 suggests steps for analyzing, selecting and implementing initiatives and best practices.

The report summarizes the nations' 80 improvement initiatives, 27 world-class best practices, and 10 strategic approaches.

World-Class Customer Service Strategies

The team developed ten "strategic approaches" that describe the direction that world-class organizations take to achieve their vision and strategic goals for excellence in client services. These strategic approaches are as follows:

1. Successful client service organizations solicit and understand the needs and expectations of their clients.
2. Effective products and services are tailored to client needs and expectations and are delivered with the optimal balance of cost effectiveness and benefit to clients.
3. Successful client contact organizations use balanced measures to identify opportunities for performance improvement.
4. Client contact employees' knowledge, skills and abilities and the quality of their support tools are key to providing excellent service, regardless of the mode of access used.

5. World-class organizations embrace and demonstrate performance excellence in leadership, strategic planning, information collection and analysis, human resources, customer and market focus, process management, and business results.
 - 5.1 Management approaches and technical infrastructure of world-class organizations are continually refreshed to support delivery of excellent service.
 - 5.2 World-class organizations use multiple sources of data, especially front-line employees, for enhancing service.
 - 5.3 Satisfied, capable employees are key to achieving a high level of client satisfaction.
 - 5.4 World-class organizations measure service outcomes.
6. Client-focused organizations provide excellent service within multiple modes of access and constantly assess the effectiveness and mix of service among modes.
7. For telephone contact, world-class organizations achieve excellent service delivery and maintain client intimacy by using technology wisely.
8. World-class organizations pursue secondary business effects through excellent delivery of contact services.
9. Successful client contact organizations continually assess and adopt best practices.
10. Improving client services is a series of iterative steps. Successful client contact organizations continuously scan the environment for emerging opportunities in technology and business practices.

Possibly the greatest benefit of this benchmarking study is the benchmarking and information exchange process itself.

The experience of benchmarking customer service activities among PATA member nations has been very positive. The cooperative sharing of exciting ideas by the four participating nations resulted in an impressive list of improvement initiatives, best practices, and strategic approaches. Possibly the greatest

EXECUTIVE SUMMARY

benefit of this benchmarking study is not the extensive list of specific improvement opportunities nations might choose to pursue, but the benchmarking and information exchange process itself. During the workshop, the representatives recommended that the PATA nations continue to cooperate in exchanging ideas and facilitating the exchange of information. They proposed six potential topics for future benchmarking studies.

Countries shared successes can become a paradigm for continued cooperation.

The PATA representatives intend to encourage their respective leadership to pursue the findings of the current study and to continue the benchmarking process by sharing the outcomes of actions taken. As the countries experience success in achieving world-class characteristics, their shared successes can become a paradigm for continued cooperation.

PATA member nations can obtain additional information on the industry best practices by contacting the office of the Assistant Commissioner, International, U.S. Internal Revenue Service, 703-874-1900. The IRS is also available to facilitate communication among member nations for detailed information on specific countries' initiatives.

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CHAPTER 1

INTRODUCTION

The member nations of the Pacific Association of Tax Administrators (PATA), seeking to capitalize on the experience and innovations of PATA members and of other world-class private and public organizations, sponsored an international benchmarking study to identify world-class innovations and best practices in the area of customer service. We sought to find and analyze the many recent improvements in customer service philosophy, practices, and technology.

Genesis of the PATA Customer Service Study

The study team comprised participants from Australia, Canada, Japan, and the United States.

PATA was established in 1980 to improve tax administration of its members and to strengthen their international enforcement efforts. PATA has sponsored joint studies to share lessons learned and good ideas to continually improve operations. At the April 1998 PATA meeting, members agreed to participate in a customer service benchmarking study, led by the U.S. Internal Revenue Service (IRS). All member nations accepted the study scope at the October 1998 PATA meeting, and a six-month benchmarking study began in January 1999. The study team comprised participants from Australia, Canada, Japan, and the United States. SRA International, Inc. (SRA) was retained by the IRS to provide benchmarking expertise and support.

Study Objective and Scope

PATA's objective is to improve customer service by discussing things that work well in each nation. By learning from each other's improvement initiatives, and from the best practices of world-class organizations, the nations can achieve greater performance and customer satisfaction more efficiently.

The premise used to set the scope of this study was:

Customer-focused organizations provide a wide range of communications options. The PATA organizations want to allow taxpayers to initiate and respond to questions through a variety of media.

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CHAPTER 1

Introduction

During site visits to the PATA nations, the IRS study team (further referred to as the team) gained a better understanding of the nations' environments, cultures, operations, and improvement directions. This helped refine the scope by emphasizing such considerations as:

- Problem prevention through education and taxpayer information.
- Equal consideration of all modes of access, integrated services, and external partnerships.

Benchmarking Methodology

The primary objective was to identify good ideas and improvement initiatives and share them among the PATA nations.

The team adapted the benchmarking methodology from standard industry approaches, such as that of the Council for Continuous Improvement (CCI), to support PATA-unique requirements. The primary objective was to identify good ideas and improvement initiatives and share them among the PATA nations. Because of political, cultural, and geographic differences, the team made no side-by-side comparison of practices. The nations can use the study to compare industry and government benchmarks collected with their own practices. A suggested implementation framework is included in chapter 4 to assist in making internal comparisons and implementation decisions. This framework includes *gap analysis* to compare current practices against industry best practices, and *business case development* to select high-payoff alternatives. Figure 1.1 shows the benchmarking steps of this study.

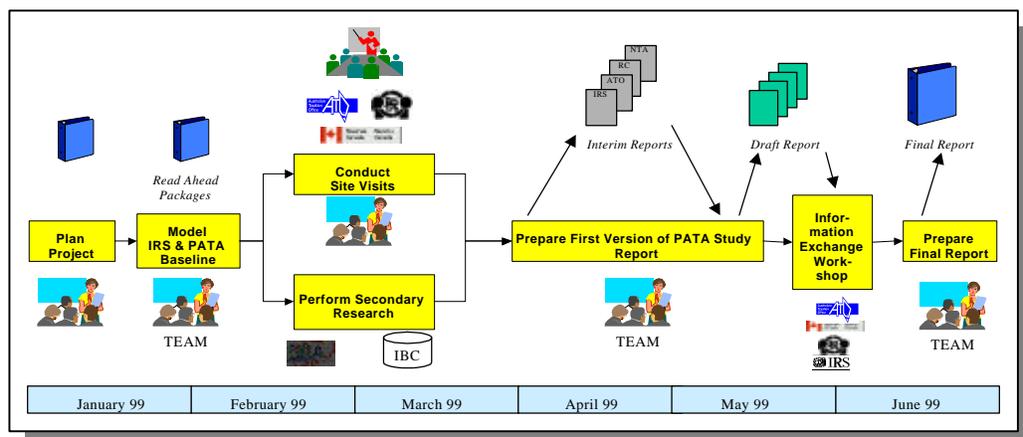


Figure 1.1 - Benchmarking Steps of the PATA Customer Service Study

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- The team developed a project plan and scheduled key events such as site visits to the PATA nations.
- The team reviewed and modeled IRS customer service processes to share with other PATA nations and to help frame site visit questions. The other PATA nations provided preliminary information to help the team prepare for site visits.
- The team sent read-ahead packages to help the nations prepare for the site visits. Packages included the study objectives, scope, IRS customer service process models, interview questions, and the International Benchmarking Clearinghouse (IBC) Code of Conduct.
- The team visited each nation for a week to collect information on organization, staffing, and the related tax administration environment and to share customer service improvement initiatives. Each nation impressed the team with very thorough presentations and tours of their activities and facilities.
- Concurrently with the site visits, SRA benchmarking specialists researched the literature and the IBC databases for best customer service practices of world-class industrial organizations.
- The team used Revenue Canada's Modes of Access model to present PATA improvement initiatives and the world-class best practices from secondary research. Figure 1.2 shows the four modes of access used by tax offices in each nation to communicate with their taxpayers, which include *face-to-face*, *written*, *telephone*, and *electronic services*. These access modes are supported by *integrated services* (accurate and complete client information from on-line databases) and *external partnerships* (community groups and private individual support). The team added a third support element, *organizational attributes for success*, to recognize the critical importance of leadership support, human resources management, and process and quality improvement. Unless they practice these attributes, organizations typically fail to implement good opportunities.

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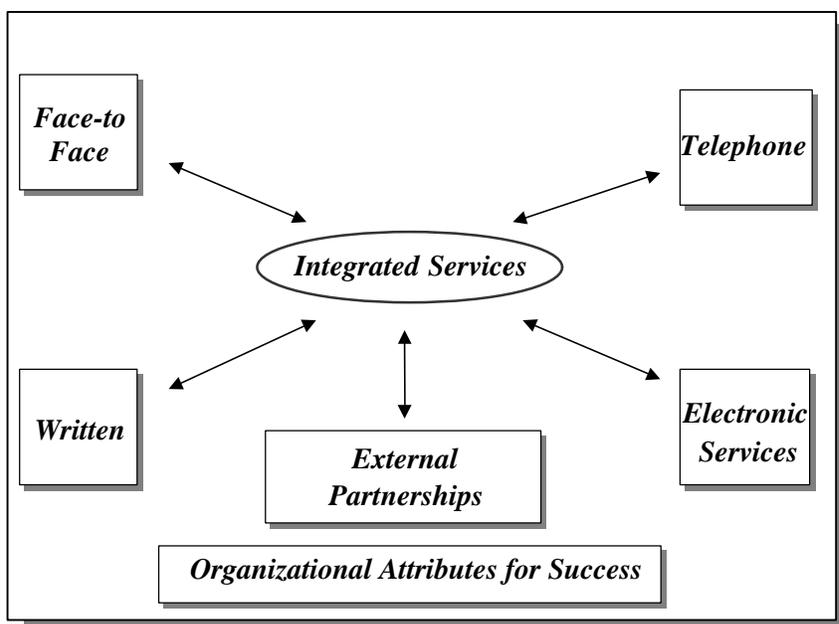


Figure 1.2 – Modes of Access

- The team prepared papers on the findings from each nation, including a paper on the IRS customer service environment, which were sent to each nation for validation and update.
- The team prepared a draft report, correlating the PATA improvement initiatives with industry best practices and suggesting an implementation framework and other follow-up actions.
- The IRS facilitated an information exchange workshop in Atlanta, Georgia, to review and improve the draft PATA study report. To reciprocate the tours offered by each of the other nations, the group also toured the IRS Service Center and Customer Service Center in Atlanta.
- The team compiled the workshop proceedings and completed the final PATA Customer Service Benchmarking Study Report.

PATA Benchmarking Study Outcomes

The remainder of this report includes the team's data collection results and analysis and collaborations with PATA nation representatives. The wealth

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The face-to-face collaboration during the visits and the Atlanta workshop established relationships to allow continued exchange of good ideas.

of information shared among the nations and the excellent briefings offered by the PATA nations during the site visits validate the consensus that this is an important initiative. The face-to-face collaboration during the visits and the Atlanta workshop helped produce outstanding study results; more importantly, they established relationships to allow continued exchange of good ideas.

Chapter 2, Summaries of PATA Nations' Tax Administration Environment and Improvement Initiatives, outlines the tax administration environments of the four PATA nations and briefly describes their improvement initiatives. (Comprehensive reports on the tax administration environments that make each nation unique, plus greater detail on their improvement initiatives, are included as Appendices A through D)

Chapter 3, Industry World-Class Best Customer Service Practices, offers the benchmarks gleaned from secondary research. This chapter addresses the directions in which world-class organizations are moving to accommodate their customers' choice of access methods and the opportunities afforded by new technologies.

Chapter 4, World-Class Customer Service Strategies, analyzes the improvement initiatives, best practices, and strategic approaches for providing world-class customer care, arising from the information exchange workshop in Atlanta. This chapter also suggests a framework PATA nations can use to analyze, select, and implement practices that best meet their own customer service needs.

SUMMARIES OF PATA NATIONS' TAX ADMINISTRATION ENVIRONMENTS AND IMPROVEMENT INITIATIVES

Each PATA nation operates in a unique environment that influences business conduct and the improvement initiatives each has emphasized. These initiatives are categorized by the modes of access introduced in chapter 1. For greater insight see the reports in the appendix that include the following information on each nation:

- Mission, vision, and management approach
- Organization and staffing
- Client demographics
- Political and cultural influences
- Tax administration environment
- Modes of taxpayer access
- Improvement initiatives by modes of taxpayer access (summary diagram only).

Improvement initiatives were considered to be innovative and "good ideas."

Improvement initiatives are programs, projects, or activities that improve service to taxpayers and were deemed innovative and "good ideas" by the study team. There were no quantitative criteria. The final list of initiatives, agreed upon by the Atlanta workshop participants, is sorted by modes of access and organizational success attributes. The complete list of 80 initiatives is displayed in Figure 2.1. (Note that similar initiatives are listed only once and attributed to multiple nations.)

The information in the summaries below and in the appendices will be shared with all PATA nations. This information offers insights into what works in the respective nations, why and how they work, and the benefits the initiatives provide. What works in one nation may not be appropriate in another because of environmental differences. The information provided herein and the continued dialogue among nations, which this study has strengthened, will help nations determine which improvement initiatives they might find achievable and beneficial. The industry best practices described in chapter 3 provide world-class performance in client service that the nations may strive to achieve, and in many cases already have achieved.

Summaries of PATA Nations' Tax Administration Environments and Improvement Initiatives

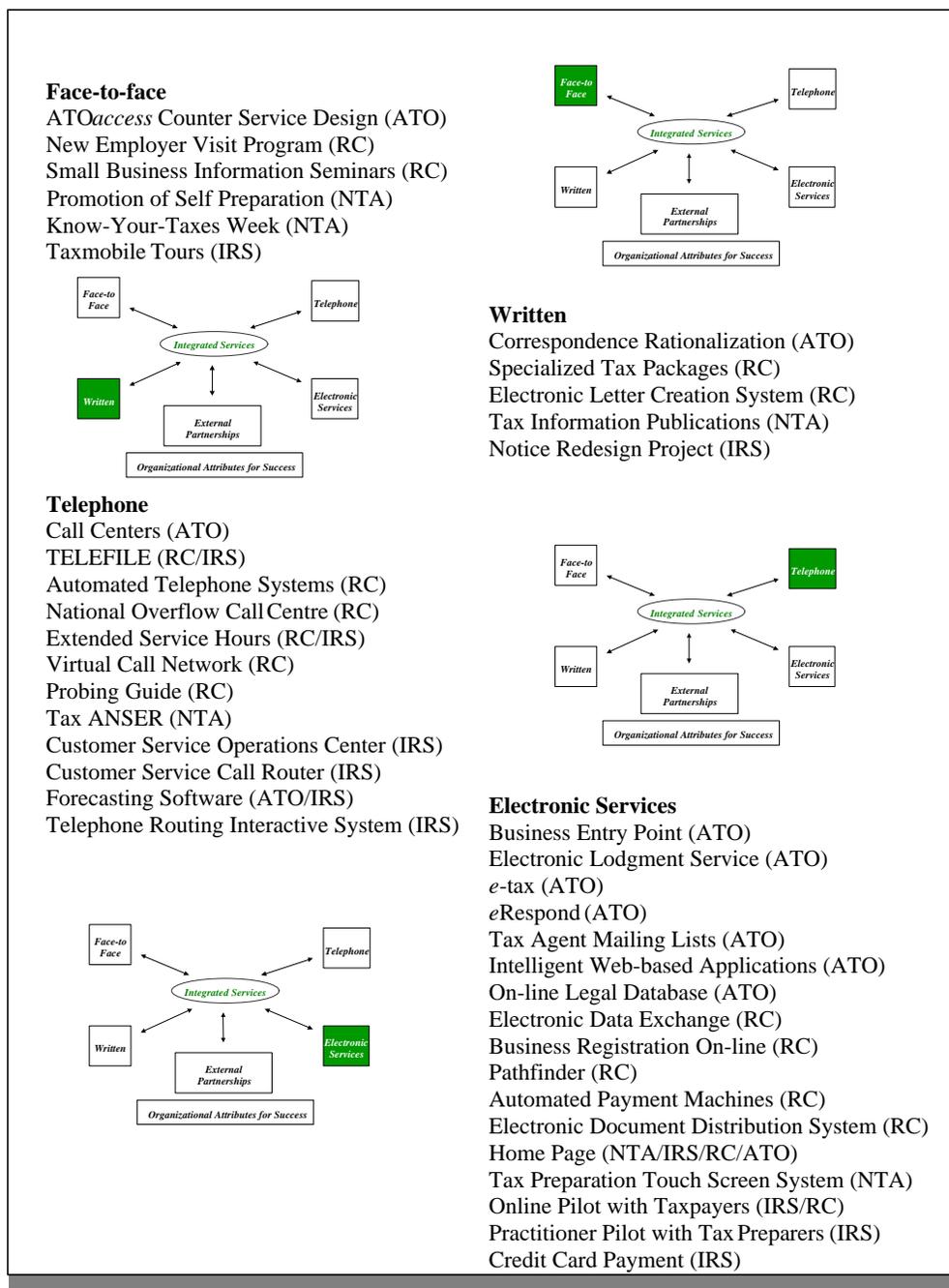
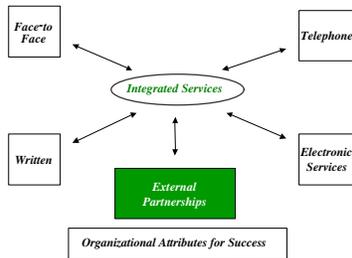
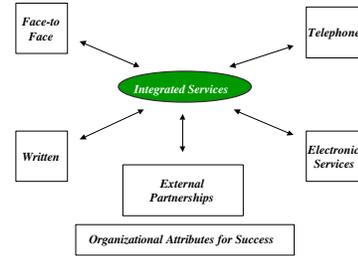


Figure 2.1 - Improvement Initiatives by Mode of Access

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Integrated Services

- On-line ReAssessment Processing Program (RC)
- Account Interface Screens (RC)
- Public Enquiries Information Bank (RC)
- RAPID System (RC)
- Service-wide Electronic Research Project (IRS)
- R-mail (IRS)



External Partnership

- Cooperation with Centrelink (ATO)
- TaxPackExpress (ATO)
- Service Canada (RC)
- Teaching Taxes Program (RC)
- Volunteer Income Tax Program (RC/IRS/ATO)
- Certified Public Tax Accountant System (NTA)
- Council for Promotion of Tax Education (NTA)
- Simplified Tax and Wage Reporting System (IRS)
- Low-Income Taxpayer Clinic (IRS)
- Tax Interactive 'TAXi'
- International Web Site for Tax Administrators (IRS)

Organizational Attributes

- Taxpayer Charter (ATO)
- Collection Model (ATO)
- Agency Status (RC)
- Fairness Initiative (RC)
- Literacy Initiative (RC)
- Problem Resolution Program (RC)
- Service Enhancement Program (RC)
- Client Service Rating Card (RC)
- Performance Indicators (RC)
- National Tax College (NTA)
- National Tax Monitor System (NTA)
- TV and Radio Messages (NTA)
- Modernizing America's Tax Agency (IRS)
- ETA Strategic Plan (IRS)

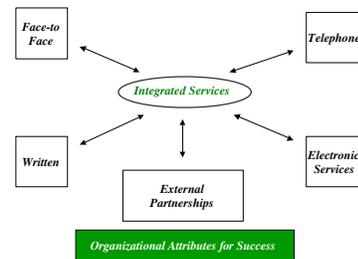


Figure 2.1 - Improvement Initiatives by Mode of Access (concluded)

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Australia – Australian Taxation Office

Overview

The main functions of the Australian Taxation Office (ATO) are to administer taxation legislation and the Higher Education Contribution Scheme (HECS), and to support provision of retirement income. Australia has one of the lowest population densities in the world, making service delivery especially challenging.

Key Statistics - Australia/ATO

Area	7.7 million sq km
Population	18.3 million
Population density	2.3 residents per sq km
Number of taxpayers	11.5 million
Number of staff	14,500
Number of tax offices	21 office sites 4 ATOaccess sites 2 regional offices 2 corporate call centres

The ATO is structured in divisions known as business lines and service lines. Each business line is responsible for a major market segment, such as individuals, small businesses, and large businesses. The service lines provide internal support duties such as information technology, marketing and communication, and human resource management.

Each ATO business line is responsible for a major market segment.

Australia's income tax system is based on the self-assessment principle. The Australian tax system is largely a pay-as-you-earn (PAYE) system, based on a fiscal year. The tax year is from 1 July to 30 June; returns are lodged from 1 July to 31 October. When a return is lodged, ATO computes the tax and sends the client a Notice of Assessment containing either a refund check or a bill for the amount due. All tax debts are due on 1 December at the earliest. All individual tax returns are for the primary taxpayer; there is no joint filing status.

Figure 2.2 displays return and refund statistics for Australia for 1998. Tax agents play a significant role in the Australian tax system, accounting for over 70 percent of all returns filed. Also significant is the high percentage of returns filed electronically.

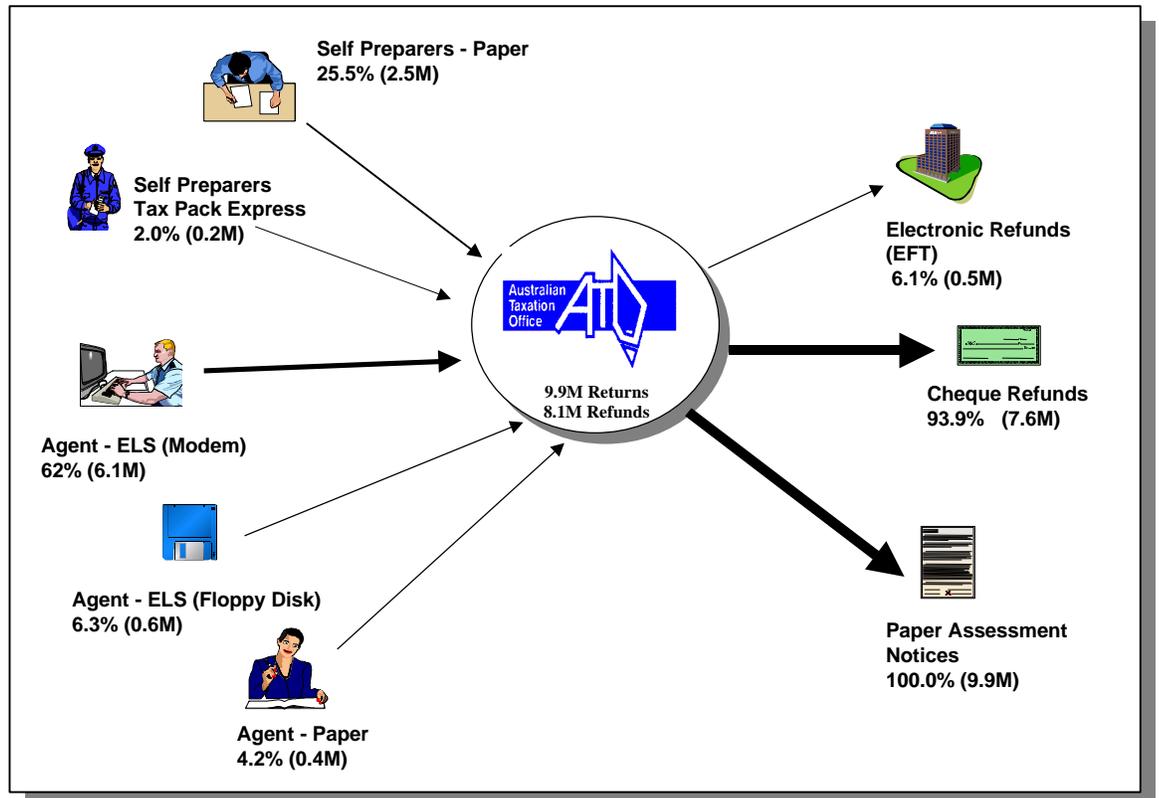


Figure 2.2 - ATO Filing Characteristics

Improvement Initiatives Summary

ATO customer service improvement initiatives identified by the study team are categorized below by mode of access and organizational attributes for success.

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Face-to-Face

ATOaccess Counter Service Design

ATOaccess is an innovative new office layout for walk-in clients.

ATO is implementing an innovative solution, branded as ATOaccess, to achieve client satisfaction through improved services at reduced cost. The new office layout encourages self-help through the use of brochures, ATOassist (Internet home page), and the ATO telephone advice services.

Written

Correspondence Rationalization

The ATO has improved the quality and tone of correspondence sent to taxpayers and tax agents, replacing 2,000 standard letters with 50 core letters.

Telephone

Call Centres

Call centres will play an important role with most client segments for the foreseeable future. The goal is to create a virtual national network and to utilize best practice techniques for managing incoming calls, to increase efficiency and achieve a consistent standard of service to all clients.

Forecasting Tools

To support call centre best practices in forecasting and scheduling, ATO has trained managers and team leaders in the basic principles of queuing theory. The Erlang C formula is used to determine the resources needed to handle predicted workload for every half-hour.

Over 75 percent of all returns are filed electronically.

Electronic Services

Electronic Lodgment Service (ELS)

Over 75 percent of all returns are filed electronically via ELS. ATO plans further enhancements to ELS, including tax agent lodgment performance, client profiles, and third party refund reconciliation statements.

e-tax

A new program currently under pilot testing, called *e-tax*, is aimed at the 2 to 3 million individuals who prepare their own returns. Users will download *e-tax*, an electronic income tax return preparation and lodgment software package, to their personal computers from the Internet, and use it to lodge their returns directly to ATO.

eRespond

Recognizing that electronic mail is gaining popularity as an efficient and effective mode of communication in commerce, ATO has designed and built an e-mail inquiry response system called *eRespond*. It allows ATO staff to compose e-mail responses using a database of answers to frequently asked questions.

Business Entry Point (BEP)

BEP enables businesses to register for sales tax, PAYE, the prescribed payments systems, and business tax file numbers over the Internet.

Tax Agent Mailing Lists

Tax agent's mailing lists were put in place by end 1998. To take advantage of the fact that over 80% of agents use facsimile machines and have access to e-mail, ATO will begin to transmit information to them using a least-cost routing strategy.

***ATOassist* (Home Page)**

ATO's home page is featured at the *ATOaccess* sites for public use. *ATOassist* is being heavily promoted to tax agents, featuring a specific area for agents, and also provides access to ATO's legal database called *ATOlaws*.

Intelligent Web-based Applications

ATOassist is being expanded to include new intelligent web applications to enable clients to receive answers to their taxation queries by responding to a series of questions. The system then determines an appropriate solution based on a series of business rules or sends the query to the appropriate officer within the ATO for further processing.

An on-line legal database is available to the general public.

On-line Legal Database

ATOlaw is a compilation of tax laws, rules, and regulations which has been gathered in a database to support the work of ATO staff. This service is now available to the general public via the Internet.

External Partnerships

Cooperation with Centrelink

Opportunities to provide *ATOaccess* functionality in non-ATO sites such as Centrelink (a consortium of Commonwealth Government programs) offices is planned, taking into account Australia's low population density and number of Centrelink offices.

TaxPackExpress

Clients have the option to lodge a return electronically through TaxPackExpress at an Australia Post Office or at the office of a participating registered tax agent. The return is prepared by the taxpayer, keyed by Australia Post or the tax agent, and transmitted to ELS.

Tax Help

Tax Help is a free and confidential service to assist people on low income provided by volunteers trained by ATO.

Organizational Attributes for Success

Taxpayer Charter

The charter is a widely distributed document outlining taxpayer rights, the service level and other standards taxpayers can expect, taxpayer appeal rights, and taxpayer obligations.

Collection Model to Focus Resources

ATO uses historical information to identify distinguishing characteristics, which are then used to determine the collection action most likely to affect payment of the outstanding liability.

Canada – Revenue Canada

Overview

Revenue Canada must support two official languages.

The mission of Revenue Canada is to promote compliance with Canada's tax, trade, and border legislation and regulations through education, quality service, and responsible enforcement. Canada has two official languages, French and English, and Revenue Canada must support taxpayers in both; all service forms and publications must be available in both French and English. Canada also has a large immigrant population (almost 17 percent), which offers both challenges and unique opportunities.

Key Statistics - Canada/Revenue Canada

Area	9.9 million sq km
Population	30 million
Population density	3.0 per sq km
Number of taxpayers	25 million (incl. GST)
Number of staff	39,700
Number of tax offices	40 tax service offices* 8 tax centres 4 call centres

* Most provide face-to-face and telephone service

The department, headed by a Deputy Minister, was consolidated during the early 1990s from the formerly separate areas of Department of Taxation, Customs, and Excise. Legislation is in place to create a new agency, the Canada Customs and Revenue Agency (CCRA), which will be an evolutionary step towards further integrating provincial, territorial, and federal revenue administration.

Legislation is in place to create a new agency – the Canada Customs and Revenue Agency.

Revenue Canada carries out its mandate in six regions through four business lines: revenue generation, customs border services, income redistribution, and trade administration. Revenue Canada also collects provincial sales tax, tobacco taxes, liquor markups, and levies on noncommercial imports for provinces that have such agreements with the federal government.

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Canada uses a self-assessment system whereby employers act as government agents withholding income taxes at source. For individuals, taxes are assessed on a calendar year basis. The filing deadline is April 30, except for self-employed individuals and their spouses, who must file by June 15. Canada does not have joint returns. All amounts must be paid by April 30 regardless of filing date. In 1997, approximately 22 million returns were filed. Over half of all returns were prepared by computer. Tax preparers are also fairly prevalent, preparing 8.9 million returns. Figure 2.3 summarizes interactions between Revenue Canada and taxpayers.

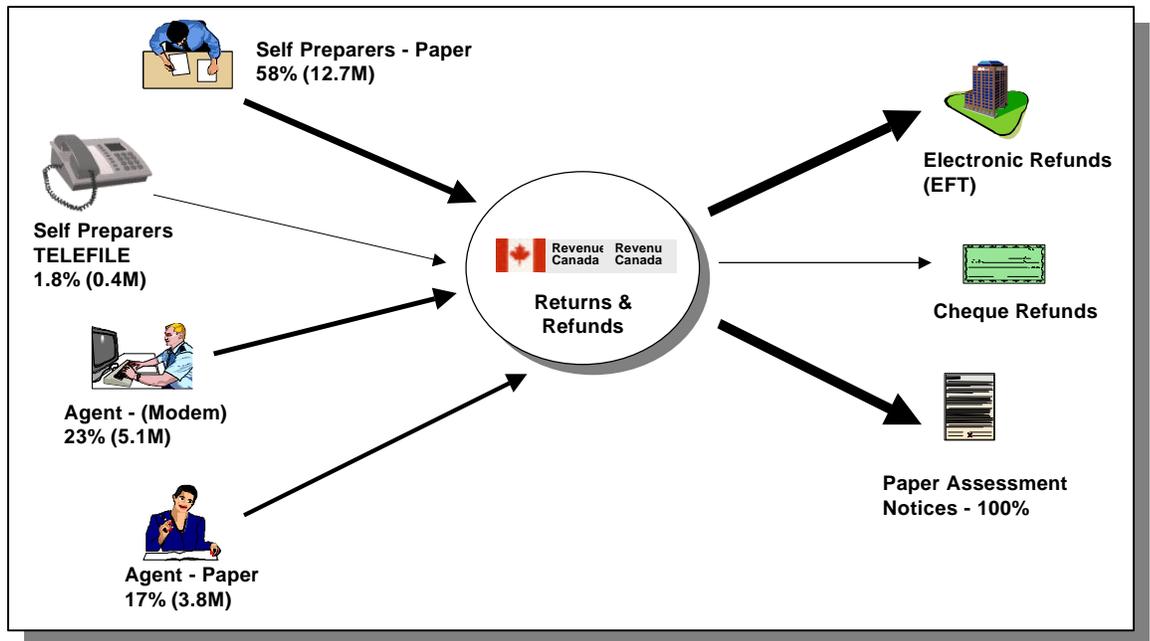


Figure 2.3 - Revenue Canada Filing Characteristics

Improvement Initiatives Summary

Revenue Canada's initiatives to improve customer services identified by the study team are categorized below by access modes and by organizational attributes for success.

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Face-to-Face

New Employer Visit Program

Departmental officials are available on request to visit new employers on their own premises.

Small Business Information Seminars

SBIS provides basic information on selected topics in separate modules for individuals who are thinking about starting a business or who have recently started one.

Written

Specialized Tax Packages

Revenue Canada has simplified income tax packages to meet the needs of various client groups, taking into account the individual's tax situation based on his or her filing history. These have allowed a great reduction in the amount of paper used.

Electronic Letter Creation System (ELCS)

ELCS is used to help prepare consistent and accurate responses for outgoing correspondence, supporting 48 business processes. Approximately 17,000 standard verses and letters have been developed in both official languages using the principles of plain language.

Telephone

TELEFILE is a free service allowing clients to file using a touch tone phone.

TELEFILE

Available seven days a week, TELEFILE is a free service allowing clients filing simple returns to use a touch tone telephone. Clients are invited to use the service based on previous year income and deduction information.

Automated Telephone Systems

Revenue Canada is implementing a number of automated telephone systems based on interactive voice response (IVR) technology, available 24 hours a day, 7 days a week.

National Overflow Call Centre

Calls are routed to a National Overflow Call Centre in Ottawa when no agent is available to answer the call at a local call site.

Virtual Call Network

Revenue Canada is in the preliminary stages of designing a 1-800 virtual call network, available 24 hours per day, 7 days per week, for implementation beginning in 2000.

Extended Service Hours

During the filing season, call centres offer extended hours Monday through Thursday until 9 pm and Saturdays from 9 am until 1 pm.

Probing Guide

A probing guide, a step-by-step topic-based information guide, has been developed to assist enquiries agents in their interactions with clients.

Electronic Services

Revenue Canada Homepage

Revenue Canada has a home page that provides tax information and makes available guides, pamphlets, information circulars, and interpretation bulletins to the public. In 1997-1998 the site recorded approximately 12 million hits.

Pathfinder

This service, currently in the pilot stage, is designed to assist the taxpayer in finding information on Revenue Canada's web site.

Electronic Data Exchange

Programs are being developed to share data electronically between Revenue Canada, the provinces, and social benefits agencies (primarily for income verification) to reduce requests for data.

Automated Payment Machines

To eliminate long queues in tax services offices, Revenue Canada will enable clients to make Goods and Services Tax (GST), Harmonized Sales Tax (HST), and income tax payments on an automated payment machine. This initiative is currently in pilot mode.

Individual Tax Filing on the Internet

Current plans call for the implementation of individual tax filing via the Internet in January, 2000.

Business Registration On-line

Business registration on-line workstations are available in most tax services offices.

Businesses can register electronically at most tax offices.

Electronic Document Distribution System (EDDS)

Clients can obtain electronic versions of Revenue Canada documents through the EDDS, an electronic bulletin board available via a nation-wide public network that replaces the advance hard-copy release of forms.

Integrated Services

On-Line ReAssessment Processing (OLRAP) Program

Revenue Canada has reengineered the program handling taxpayer-requested adjustments to streamline workflow and maximize technology use. The program includes on-line help, auto error correction, and links to other systems.

Account Interface Screens

New client information summary screens available in the mainframe computer organize information client service agents require to respond to taxpayer-specific account enquiries.

Account-specific information is organized for efficient response to taxpayer enquiries.

RAPID System

RAPID is an initiative to organize screens required by customer service agents to respond to account-specific taxpayer enquiries. The screens summarize the information available on each client and allow agents to drill down to view specific information.

Public Enquiries Information Bank (PEIB)

PEIB is an electronic system used by both counter and telephone staff to answer enquiries. It provides general tax information (e.g., directives, circulars) in electronic format.

External Partnerships

Community Volunteer Income Tax Program

The Community Volunteer Income Tax Program is an outreach program to make it easier for people to file their tax returns.

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Teaching Taxes Program

Each year, Revenue Canada supplies Teaching Taxes kits free of charge to about 2,000 teachers and 75,000 students in high schools and colleges across Canada.

Service Canada

The Service Canada initiative was authorized in December 1998 to improve access to and visibility of federal government services. The Service Canada vision is to provide Canadians with one-stop access to a range of government services in a fast, reliable, convenient, and cost-effective manner.

Organizational Attributes for Success**Agency Status**

Legislation is in place to create a new agency, the Canada Customs and Revenue Agency, which will be an evolutionary step towards further integration of federal and provincial and territorial revenue administration.

Fairness Initiative

The fairness initiative was developed to ensure that services to Canadians are fair, that Canadians pay their proper share of taxes and receive their full share of benefits.

Literacy Initiative

Revenue Canada has a literacy initiative to use information from an international study of adult literacy levels to tailor products and services for taxpayers and to determine the training employees need to develop effective communication skills.

Results from a literacy study are used to tailor products and services to taxpayers.

Problem Resolution Program

The purpose of the Problem Resolution Program (PRP) is to address client issues or complaints that cannot be resolved through normal administrative procedures. The purpose is to resolve complicated issues requiring special or extraordinary intervention, including hardship cases.

Service Enhancement Program

The goal of the Service Enhancement Program provides a "fast-track" identification process for issues in which field personnel believe their

ability to provide the best possible service to clients is hindered by an internal problem.

Client Service Rating Card

A Client Service Rating Card provides feedback to managers on the quality of counter service delivery, allowing local management to act on improvement service opportunities. The cards are available in all tax service offices, tax centers, and 36 customs offices.

Japan – National Tax Administration

Overview

The National Tax Administration (NTA) administers tax laws and the assessment and collection of the internal taxes that form the major part of Japan's revenue budget. The NTA manages these activities by integrating examinations and guidance of taxpayers, by offering tax consultation services, and through positive public relations.

Key Statistics - Japan/NTA

Area	378 thousand sq km
Population	125 million
Population density	332 per sq km
Number of taxpayers	75 million*
Number of staff	57,100
Number of tax offices	524 offices 1 Telephone Center

**The total number of returns filed is much less*

Japan is one of the most densely populated countries in the world. Nearly 80% of all people live in urban areas and about 45% are concentrated in three major metropolitan areas: Tokyo, Osaka, and Nagoya. This influences the modes of customer service offered to Japanese taxpayers.

The NTA consists of a head office, 11 regional taxation bureaus, the Okinawa Regional Taxation Office, and 524 tax offices

throughout the country. The legal authority to assess and collect tax resides at District Director of each tax office.

The tax office is responsible for receiving, processing, and examining tax returns and collecting taxes for all taxpayers in its jurisdiction. Only large corporations are examined at a regional taxation bureau. Emphasis is placed on tax consultation before the return

Only a small percentage of Japan's wage earners are required to file a return.

is filed; this has a direct relationship to the absence of account-related problems and reduces the need to request an adjustment after the return is filed.

Although there are approximately 54 million salary earners in Japan, only a rather small percentage are required to file a tax return. Japan's highly efficient withholding system abrogates the need for tax return filing by the majority of individual taxpayers. Since the year-end adjustment process takes personal circumstances into account, few situations require a contact with NTA, considerably lightening the clerical burden. However, this is beginning to change as more people change employers, thereby increasing the need for possible interaction with NTA. At present, 80% of individual taxpayers pay taxes through the withholding system. Self-assessment accounts for the remaining 20%.

Individual income tax is assessed on taxable income, computed on a calendar year basis from January 1 through December 31. Except for year-end adjustment applicants, taxpayers with taxable income that exceeds the threshold must file final returns between February 16 and March 15 of the following year, although refund returns can be filed beginning January 1. Individual tax payments are due on March 15.

Figure 2.4 summarizes interactions between NTA and taxpayers. The majority do not file individual returns.

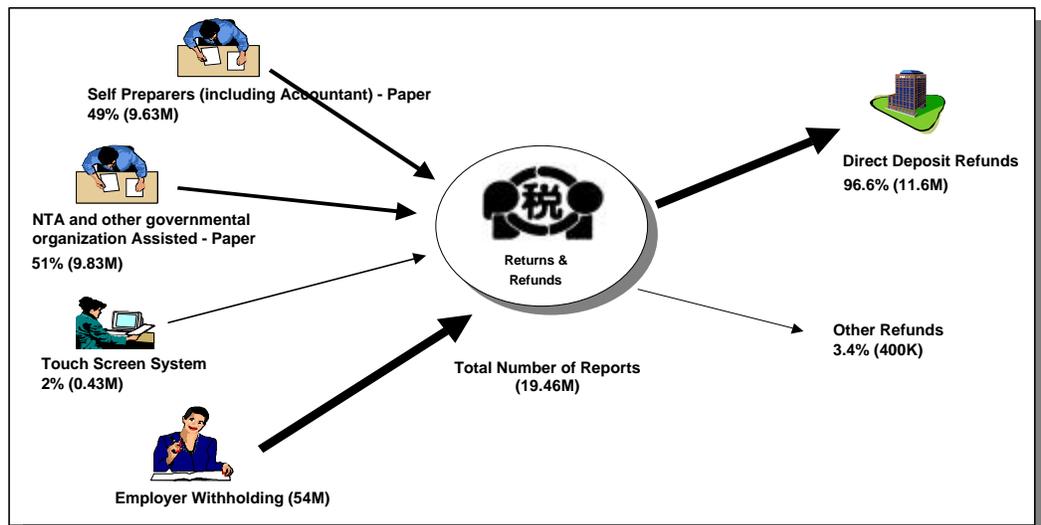


Figure 2.4 – NTA Filing Characteristics

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Improvement Initiatives Summary

NTA initiatives to improve customer services identified by the study team are categorized below by modes of access and organizational attributes for success.

Face-to-Face

“Know-Your-Taxes Week”

From November 11 to November 17 every year, the NTA holds a “Know-Your-Taxes Week” on a nationwide basis to promote knowledge of taxes among the general public as well as taxpayers. Events during this week include round-table discussions with taxpayers, field tax consultations, exhibitions on taxes, seminars, essay competitions for high-school students on the theme of taxes and numerous other locally oriented events.

Promotion of Self-Preparation

Under the context of self-assessment system, NTA endeavors to develop taxpayer services regarding filing procedures with mid-term and long-term vision.

Written

Tax Information Publications

NTA publishes a number of pamphlets and books to educate taxpayers on the role and the importance of tax, and to provide information on filing procedures.

Telephone

Tax ANSER

The Tax ANSER (Automatic Answer Network System for Electronic Requests) system was introduced in January 1987. Tax ANSER responses are based on previously recorded explanations in reply to often-asked uncomplicated tax questions.

Electronic Services

Tax ANSER Home Page

In January 1997, NTA established a home page on the Internet to provide Tax ANSER access and a simulation demonstrating how to complete a tax return form. Additional functionality and links have since been added.

CHAPTER 2

Summaries of PATA Nations' Tax Administration Environments and Improvement Initiatives

NTA Home Page

NTA established another home page on the Internet in November 1998 to provide general information such as tax information related to daily life, the latest information, and press release.

A touch panel screen deployed in refund centers and tax offices can be used to prepare returns.

Tax Preparation Touch Screen System

NTA has developed a touch panel return preparation system for use by certain individual taxpayers. The system verbalizes the instructions and contains screen prompts to walk the taxpayer through preparation of the return. It is deployed in refund centers and tax offices.

External Partnerships

The Certified Public Tax Accountant System

Only certified public tax accountants may practice tax accounting in Japan. The certified public tax accountant title is given to tax accountants who have passed the certified tax accountant examination, lawyers, and persons registered in the Certified Tax Accountant Directory of the Japan Federation of Certified Public Tax Accountants Association.

NTA makes extensive use of external partners.

Council for Promotion of Tax Education

To educate children and students in tax matters, NTA works with the Council for Promotion of Education made up of representatives from the national government, local governments, and educational organizations.

Cooperative Private Organizations

Proper tax compliance is not something that can be accomplished by the national tax authorities alone. The understanding and cooperation of cooperative private organizations are indispensable. Therefore, the tax authorities are endeavoring to obtain closer contact and cooperation with seven private organizations to maintain relationships of mutual trust, notwithstanding their differing points of view. The names of those organizations are as follows:

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Japan Federation of Certified Public Tax Accountant Associations
 National Federation of Savings-for-Tax Association
 The Japan Tax Association (JTA)
 National General Federation of Blue Return Associations
 National General Federation of Corporations Associations
 National General Federation of Indirect Tax Associations
 Liquor Industry Association

Organizational Attributes for Success

The National Tax Monitor System

This system was established in 1971 to listen to citizen opinions, requests, and complaints to help improve tax administration and taxpayer service. In 1998, 2,814 national tax monitors were assigned.

Public Relations During Tax Season

NTA makes advertisement on television and radio, writes articles in newspapers and magazines during the filing season, featuring well-known media personalities. These activities encourage taxpayers to file their returns and pay their taxes by the due date and publicize NTA services such as the Tax ANSER system.

United States - Internal Revenue Service

Overview

It is the role of the Internal Revenue Service (IRS) to help the large majority of taxpayers who are willing to comply with the tax law, while seeing to it that the minority who are not willing to comply are not allowed to burden their fellow taxpayers. The IRS must perform this role to a top quality standard, which means that all of its services should be seen by the people who receive them as comparable in quality to the best services they get elsewhere.

Key Statistics - United States/IRS

Area	9.3 million sq km
Population	260 million
Population density	28.1 per sq km
Number of taxpayers	130 million
Number of staff	102,000
Number of tax offices	425 offices 10 service centers 25 call sites

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CHAPTER 2

Summaries of PATA Nations' Tax Administration Environments and Improvement Initiatives

The IRS organizational structure is built around four regions, 33 districts, and 10 service centers. Within each of these units, work is carried out by functional disciplines, principally Examination (audit), Collection, Criminal Investigation, Submission Processing and Customer Service, the latter an amalgam of collection, examination, general tax law, and account information services.

A new organizational structure built upon customer's needs has been proposed.

The current structure no longer enables the IRS to achieve its strategic goals. A structure similar to one widely used in the private sector, which is organized around customers' needs—in this case the needs of taxpayers—has been proposed. The key operational units will be organized into four operating divisions, each charged with full end-to-end responsibility for serving a set of taxpayers with similar needs. They are:

- Wage & Investment
- Small Business/Self-Employed
- Large & Mid-sized Business
- Tax Exempt and Governmental Entities.

The IRS is the largest processor of information in the world, receiving more than 220 million tax returns and 1 billion information returns, issuing close to 100 million refunds, and answering over 100 million assistance calls per year. Figure 2.5 displays some tax filing characteristics.

The U.S. tax system is based on self-assessment. Individual returns are based on a calendar year; and are due to be filed and the tax paid by April 15 the following year. All individuals with taxable income over a relatively low threshold are required to file returns. The tax preparer community prepares 1 out of every 2 individual income tax returns.

Improvement Initiatives Summary

IRS initiatives to improve customer services the study team identified are categorized below by access modes and by organizational attributes for success.

Face-to-Face

Taxmobile Tours

The Taxmobile offers tax return preparation, tax form distribution, and technical assistance to taxpayers in rural areas to reduce the travel time and frustration associated with their inability to receive service.

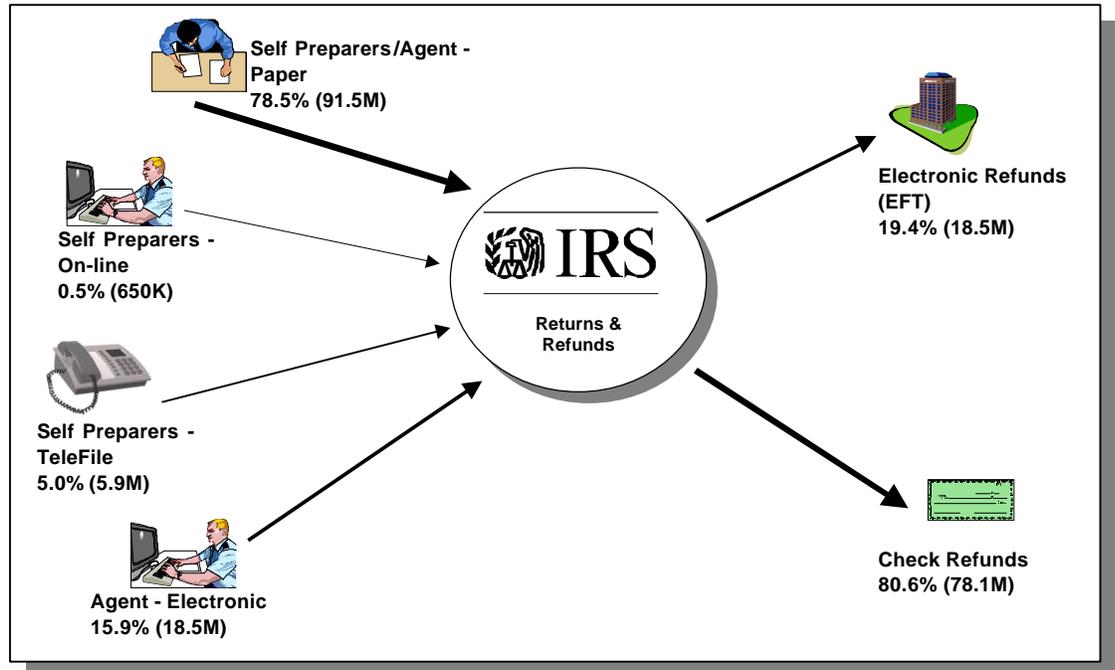


Figure 2.5 – IRS Filing Characteristics

Written

Notice Redesign Project

The IRS has implemented a project to redesign current notices, eliminating some and simplifying the language on others to make the notices easier to understand and eliminate the need for some taxpayer contacts. To date, more than 30 notices have been eliminated avoiding 35 million mailings.

Telephone

Customer Service Operations Center (CSOC)

The mission of the CSOC based in Atlanta, Georgia, is to manage the national telephone network providing toll-free telephone customers the optimum access to the resource best able to meet their needs by real-time matching of enterprise-wide customer service staff with national telephone demand.

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Customer Service Representatives are now available 24 hours a day, 7 days a week.

Extended Service Hours

Customer service representatives and automated services are now available to taxpayers 24 hours a day, 7 days a week.

Customer Service (Intelligent) Call Router (CSCR)

The CSCR balances call volumes between sites by identifying the best route for any incoming call, based on available staffing, skills, and queue times at all sites.

Scheduling/Forecasting Software

The software implemented by IRS gathers staff and call volume information from each call site via new technology, transmitting the information to a centralized location and using the information to forecast future volumes and staffing requirements.

Telephone Routing Interactive System (TRIS)

TRIS is a menu-based call routing application (the Master Customer Service Script) that permits taxpayers using a touch-tone telephone to direct themselves to the appropriate assistance source at the IRS and interactive telephone applications that resolve selected customer inquiries without the intervention of a customer service representative.

TeleFile

Approximately 6 million taxpayers with simple returns filed their returns over the telephone using the TeleFile system in 1998. Once entered into the system, the data is processed through the electronic filing system.

Electronic Services

Digital Daily (IRS Home Page)

The IRS has an award-winning web site called The Digital Daily that provides taxpayers with a variety of non-account-specific information. An automated form that performs required calculations for the taxpayer is a new feature on the site. There were 531.3 million hits between January 1 and March 21, 1999, a 155 percent increase from the same period in 1998.

Online Pilot with Taxpayers

This project will address the online filing market (i.e., taxpayers using personal computers and tax preparation software to prepare and file their

Eligible taxpayers will be able to sign their returns electronically.

own returns). Eligible taxpayers will be able to sign their returns electronically and need not mail the paper signature document to the IRS.

Practitioner Pilot with Tax Preparers

Taxpayers whose returns have been prepared by a preparer selected for the study can *e-file* and sign their returns using an electronic signature. The preparer also signs with an electronic signature.

Credit Card Payment

A recent innovation allows taxpayers to charge a tax balance due on a credit card. Taxpayers may charge 1998 federal income tax payments to most major credit cards.

Integrated Services

Service-wide Electronic Research Project (SERP)

The IRS has implemented a research tool available to more than 22,000 of its customer service employees. The intranet web site contains IRS manuals, forms, publications, notices, office locations, and so on.

R-mail

Tax law and procedural questions received by Customer Service representatives are typed into the system and sent to the R-mail database located on a centralized server. Compliance personnel throughout the country are able to access the R-mail messages immediately, contact the customer and resolve the issue.

External Partnerships

Simplified Tax and Wage Reporting System (STAWRS)

Under the STAWRS initiative, the IRS is working with other federal agencies and the states to reduce employer burden by improving customer service, establishing a harmonized wage code database, and developing a pilot for single point filing of federal and state employment returns.

IRS is working with other agencies and states to reduce employer burden.

Low-Income Taxpayer Clinic (LITC) Program

To assist low-income taxpayers, the IRS is implementing the Low-Income Taxpayer Clinic (LITC) Grant Program. These clinics will help low-income taxpayers in controversy with the IRS to obtain low-cost legal assistance as well as helping taxpayers for whom English is a second language know their rights and obligations.

TAX Interactive

TAX Interactive, or TAX*i*, a joint educational project of the IRS and the American Bar Association, is an on-line learning center designed to help high school students better understand their tax responsibilities.

Volunteer Income Tax Program (VITA)

The VITA program is a community outreach program in which IRS-trained volunteers prepare basic income tax returns free of charge for certain taxpayer segments. Many VITA returns are now prepared by computer and transmitted electronically via *e-file* to the IRS.

International Web Site for Tax Administrators

A new web site is being designed which will allow tax administrators worldwide to exchange non-account tax information. The layout was presented to six countries involved in the site development in June, 1999. The site will contain a calendar program highlighting tax conferences, training and events worldwide.

Organizational Attributes for Success**Modernizing America's Tax Agency**

"Modernizing America's Tax Agency" is a strategic overview document outlining the comprehensive changes the IRS is undertaking to meet the public's expectations for the future.

Electronic Tax Administration Strategic Plan

The IRS has developed a planning document entitled "Electronic Tax Administration: A Strategy for Growth," to articulate its plans and priorities to achieve the goal of getting 80 percent of all tax and information returns filed electronically.

INDUSTRY WORLD-CLASS BEST CUSTOMER SERVICE PRACTICES

Introduction

Others have stated succinctly the reason for benchmarking an important operation like customer service against industry best practices. “A best practice is a high-quality activity that has generated good results within an industry. A benchmark is a standard by which a device or task can be measured or judged. Companies within an industry conduct benchmarking to determine the best practices they should use.”¹

One purpose of this benchmarking study is to describe practices that make industry and other governmental organizations successful. PATA nations can review these practices and consider adopting or adapting them to improve their own customer service. The team’s “secondary research” involved a literature search and review of the Internet for relevant information. The team did not conduct site visits as these were outside the time and funding scope. The ideas and strategies listed below have been identified by other studies or benchmarking organizations as best practices. We selected practices from those companies that perform tasks we considered most applicable to the PATA nations’ environments including credit card companies, banks, delivery services, and public utilities.

A computer search on the American Productivity & Quality Center (APQC) International Benchmarking Clearinghouse (IBC) database was performed, focusing on customer service. We also searched the Gartner Group’s database and reviewed the industry’s periodicals and other related material including:

- *National Performance Review*, “Putting Customers First—Best Practices in Telephone Service” (February 1995)
- *Fortnightly* magazine (Spring 1999)

PATA nations can adopt or adapt best practices to improve their customer service.

¹ Formichelli, Linda. Public Utilities Fortnightly, Utility Call Centers “How Benchmarking Gets Fine-Tuned at Call Centers.” Vienna, VA: Spring 1999.

Industry World-Class Best Customer Service Practices

- Malcolm Baldrige award information
- *Online Customer Care*, Michael Cusack, ASQ Quality Press, 1998
- Other benchmarking studies.

Research scope is limited to best practice pertaining to customer service and related areas affecting customer service (e.g., training, human resource policies). In particular, the study team attempted to find examples of best practice covering the different modes of access companies use to communicate with their customers and provide customer service: (1) *face-to-face*, (2) *written*, (3) *telephone*, (4) *electronic services*, (5) *integrated services*, and (6) *external partnerships*. A preponderance of data on telephone service existed, in particular regarding call centers. As many customer service best practices depend also on the strategy of the company and the quality and skill level of customer service representatives, an additional category was added (organizational attributes for success) to capture these related but important practices.

We begin by addressing some characteristics of world-class organizations and identifying best practice(s) for customer service.

Organizational Attributes of World-Class Organizations

Any discussion of quality measures and productivity associated with customer service must include the Malcolm Baldrige National Quality Award, established by the U.S. Congress in 1987. The other PATA nations' have awards with similar objectives and criteria. The Baldrige award recognizes quality in the areas of manufacturing, service, and small business. The organizational attributes of interest for this study are those seen among winners in the service category.

Baldrige award criteria are widely accepted in identifying world-class best practices.

The Baldrige award committee evaluates seven criteria for performance excellence. These criteria are widely accepted in identifying world-class organizations. Organizations must exhibit these criteria (or organizational attributes) to know when they see best practices and to have the leadership, courage, and techniques to implement them. The evaluation criteria consist of the categories listed below along with a brief description of each:

1. Leadership

The company's leadership system, values, expectations, and public responsibilities

Examines how an organization's senior leaders address values and performance expectations, as well as a focus on customers and other stakeholders, empowerment, innovation, learning, and organizational directions. Also considered is how organizations address their responsibilities to the public and support their key communities.

2. Strategic Planning

The effectiveness of strategic and business planning and deployment of plans, with a strong focus on customer and operational performance requirements

Examines an organization's strategy development process, including how the organization develops strategic objectives, action plans, and related human resource plans. Modes of plan deployment and performance tracking are also examined.

3. Customer and Market Focus

How the company determines customer and market requirements and expectations, enhances relationships with customers, and determines their satisfaction

Examines how an organization determines requirements, expectations, and preferences of customers and markets. Also examined is how an organization builds relationships with customers and determines their satisfaction.

4. Information and Analysis

The effectiveness of information collection and analysis to support customer-driven performance excellence and marketplace success

Examines an organization's performance measurement system and how an organization analyzes performance data and information.

5. Human Resource Focus

The success of efforts to realize the full potential of the work force to create a high performance organization

Examines how an organization enables employees to develop and utilize their full potential, in alignment with the goals of the organization. Also examines efforts to build and maintain a work environment and an employee support climate conducive to performance excellence, full participation, and personal and organizational growth.

6. Process Management

The effectiveness of systems and processes for assuring the quality of products and services

Examines key aspects of an organization's process management, including customer-focused design, product and service delivery, customer support, and supplier and partnering processes involving all work units.

7. Business Results

Use of performance results, trends, and comparison to competitors in key business areas such as customer satisfaction, financial and marketplace, human resources, suppliers and partners, and operations

Examines an organization's performance and improvement in key business areas, including customer satisfaction, product and service performance, financial and marketplace performance, human resource results, supplier and partner results, and operational performance. Performance levels are also compared to those of competitors.

Best Practices

Best practices, new ideas and innovations were taken from world-class companies.

World-class best practices, new ideas, and innovations were taken from world-class companies across a number of industries and a few public sector organizations based on the criteria described in the paragraphs above. For ease of comparison, the study team categorized these practices according to the modes of customer service access used in the PATA nation reports. Many of the practices listed can fall into more than one

category, however, all aim to increase customer service in one way or another.

Out of the total of approximately 50 best practices found by the secondary research, 27 common themes were identified. These are displayed in Figure 3.1.

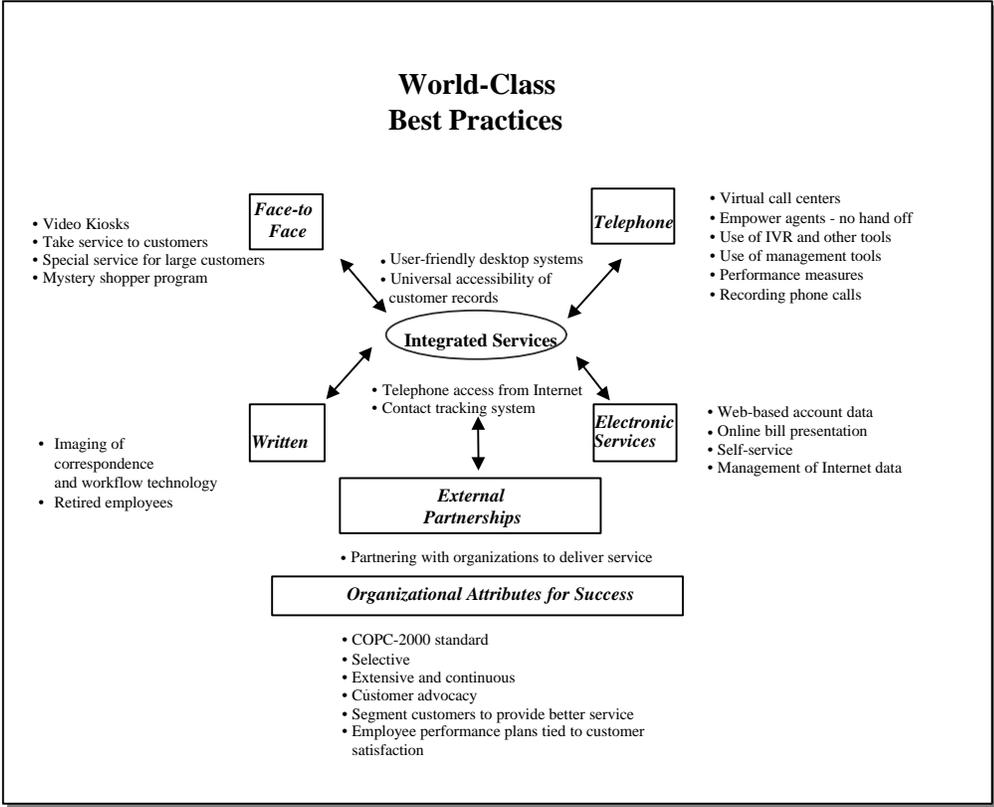


Figure 3.1 – Common Best Practice Ideas

Face-to-Face

A bank uses **video kiosks for interactive customer service communication. The company’s call center has two videoconferencing workstations for representatives**, equipped with special video cameras. The schedules for the representatives correspond to the kiosk’s hours of operations, 10 am to 8 pm weekdays and Saturdays, and noon to 6 pm on Sundays.

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Service is being taken out of the branches and onto customer premises.

A banking institution wanted to leverage its known strength – service – by taking service out of branches and onto customer premises, targeting those with annual revenues of up to \$10 million. **Bank staff will pick up deposits from customers or perform almost any other basic bank transaction at the customers' premises.** Employees are trained to look for any extra service, free or otherwise, they can offer customers during a transaction.

Along the same lines, **a number of tax administrations around the world have installed large taxpayer units** dedicated to serving their largest taxpayers, often accounting for over 50% of a countries' tax collections. Different variations are possible, from a more limited office responsible for cashiering and customer service functions, to one supporting all post-filing compliance-related activities and holding a separate set of taxpayer ledgers. **In addition to helping ensure compliance among the most important taxpayers, large taxpayer units are generally staffed with some of the more senior and proficient staff to provide taxpaying organizations with individualized face-to-face and telephone customer service to assist them in meeting their tax obligations.**

A number of world-class companies utilize “mystery shopper” programs as improvement tools for face-to-face customer service. Employees are aware of the program, which assesses employees on every aspect of the customer interaction. Managers review results of such assessments with employees, who may receive additional training on areas in which they were graded poorly.

Written

A large insurance company plans to include **an imaging system to record all correspondence** from customers, and a transactional web site, allowing them to eliminate the paper.

The CEO of a large computer manufacturer was so inundated with customer correspondence and calls that he hardly had time for anything else. To solve the problem, the company tapped its pool of retired managers and established an Executive Customer Support Group. **This group consists of approximately 20 part-time retired managers from the company, who personally handle all calls and letters that come to**

the CEO's office. The retirees already know how to get things done at the company and are familiar with its values, policies, and rules, so they need little training.

One company regularly receives over 30,000 pieces of mail each day that never leave the mailroom. Using imaging and workflow technology, **the mail is scanned and placed in the customer's file electronically and is made available almost immediately to the customer service representative,** wherever that representative is located.

An insurance company achieved a leading position through superior customer service. **One of the processes responsible for this is the company's state-of-the-art image processing technology for customer service operations. Correspondence is stored on optical disks instead of paper.** Warehouse space is no longer devoted to acres of documents, and filing and delivery clerks have been reassigned. Claims processing has also been converted to the new technology.

Telephone

Effective call center operations conduct integrated resource planning and call center management across all sites, essentially treating several call centers as one large organization. Call loads are balanced across sites to ensure achievement of customer access goals. Analysis techniques are automated. Alarms alert control center staff to call volume problems outside the norm for the time period. Increased flexibility, redundancy, and call handling capability are the main benefits of this approach, compared to planning on an individual site basis. To further improve efficiency and increase consistency in customer service, a substantial site consolidation effort has become the norm for high-performance call center operations. **One organization effectively consolidated over 90 small call centers to one large center with 24-hour customer access.**

The number of operating locations needed to handle even the largest call volumes (over 100 million per year) is typically **one to three call centers,** with a maximum of 600 front-line workers per center. This **is widely viewed as the optimum number of operating locations due** to overhead and administrative cost, consistency of service, and other business and customer management considerations.

One to three call centers is viewed as the optimum number of operating locations.

One company cautioned that diversity issues became important when it went from regional customer service programs to a centralized program. Representatives had difficulty understanding unfamiliar regional accents and dialects.

Internal call transfers from one front-line worker to another are rarely made because front-line workers answering the calls are empowered to satisfy customers' issues, and because incoming calls are automatically gated to appropriately skilled front-line workers by linking the forecasting/scheduling and caller history databases. **When it is necessary to hand a call off to another front-line worker, it is done by direct (seamless) transfer.** Customer information is transferred along with the call. **The transferring agent introduces the call and shares all known information so the customer does not have to repeat information.**

Front-line workers are empowered to resolve virtually all calls.

Front-line workers are empowered to resolve virtually all calls. At one company, monetary write-off authority is equal to that of vice-presidents. Front-line workers "own the call" and first-call resolution rates are 85 percent or greater, with customer requested hand-offs accounting for nearly all of the remainder. Front-line workers are expected to take whatever time is necessary to resolve a caller's issues. Individual call handling time is not used to assess performance.

A media company has built a **customized system that forms a virtual call center, linking its geographically scattered sales and customer service functions into a centralized operation.** The company's challenge is to present a united front to its widely scattered customer base so that a large-volume user in any part of the country gets the same *seamless service* as a small customer elsewhere.

In response to explosive growth in the brokerage business, **a major brokerage firm developed a computer-based job aid that enables its service representatives to handle virtually any customer inquiry or transaction without transferring the customer's call elsewhere within the organization.** **The performance aid anticipates customer questions and prompts the service representative with the answers.** Each time a customer asks a question, the job aid provides answers that exceed the scope of the customer's original question. The company hopes

that the CSR will internalize this behavior and exceed customer expectations in other aspects of his or her job.

After doing extensive research on customer service, a large international company decided to launch a new call center. **Research revealed that a central resource to answer questions, fill orders, or resolve technical problems would be a cost-effective means of consolidating customer services.** This company is moving from a functional or specialized approach to a consolidated and integrated system in which **customers have only one point of contact, whatever the type of question.**

The call center of a direct marketer of banking and financial products and services, which recently received the European Call Centre of the Year award, has the capacity to handle 80,000 calls per hour and **provides a single point of contact to its customers.** The company has **automated every conceivable process** to ensure customer satisfaction. **A customer may make a series of unrelated requests or inquiries with one phone call without being transferred from employee to employee** for specific information. Thanks to innovative technology, agents can concentrate on the caller rather than the process.

The use of IVR systems by call centers is growing for several reasons. **IVR answers many simple, frequently asked questions, drastically cutting queues while saving agents' time.** In addition, these systems make it easy for customers to exchange information with a company's database(s) because they can enter data through their telephones. The system searches the database to find the information customers need and reads it to them. Today's IVR system capabilities have expanded to include speech recognition, Internet, e-mail, faxback, and video.

IVR answers many simple questions drastically cutting queue time.

It should be noted that while businesses tend to like IVR technology, customers do not necessarily share the same view. Exclusive use of IVR does not fulfill all customer needs. In the last year, **two large financial institutions have been rethinking their use of IVR. They are beginning to advertise that customers can talk with a person, if desired, and are utilizing this service option as a competitive advantage.**

For quality assurance purposes, **a large financial services company records and archives all customer telephone conversations.** When a customer questions or disputes a transaction made as a result of a telephone call, the recording is retrieved from the archive, reviewed, and a response is provided to the customer within two to four days of the inquiry, either confirming the transaction or reversing it if the company was at fault.

A catalog company has captured more than 70% of the U.S. market as well as 70% of Japan's credit card and insurance business market. The company **dedicates each call representative to specific clients to offer superior customer service.**

Call representatives are dedicated to specific clients to offer superior service.

Scheduling and forecasting tools are often used by all centers for assisting management in meeting performance measures. However, some electrical power companies have found that call centers need time to mature before taking advantage of these tools. Some utilities have found that their forecasts are not accurate because of the lack of historical call center data. Companies considering implementing such best practice tools must already have enough historical data to make it worthwhile. **Scheduling and forecasting tools are only as good as the data available to them.**

A U.S. airline immediately enters customer data into a consumer response database. Representatives ask questions relative to the situation and simultaneously input the information into the database. The database is designed to retrieve real-time information to assist representatives in resolving problems quickly and accurately. Calls are generally resolved with the first call.

Rather than deal with unexpected peaks in call volume by relying on part-time agents to be at the call center on short notice, **one company advocates the use of internal resources, requiring that management staff be prepared to devote a proportion of their time to answering customer calls.** By involving other areas of the company in customer contact, the call center manager gained support for the concept that an awareness of customer problems would be beneficial for the entire organization.

A major credit card company has a multifaceted compensation and measurement system that has become a model of excellence for other

service companies. **Seventeen process measures are tracked in the general customer service area. In the telephone customer-inquiry area, an automated call monitoring system tracks the average speed of answer, number of abandoned calls, number of calls answered by each employee, and average call length. Processing times for all forms of written correspondence are similarly tracked.** Customer service representatives are directly monitored by a number of people inside and outside the customer service area. All managers are encouraged to monitor at least two hours of calls a month to stay in touch with customers and services. Service representatives get daily printouts that summarize their performance. Performance measures also figure prominently in monthly business meetings, internal Baldrige award assessments, and other process improvement meetings.

Key quantitative measures are used to predict customer satisfaction.

These measures as well as some broadly used best practice goals are included in the following table:

Measure	Goal
Average speed of answer	Less than 15 seconds
Abandoned call rate	Less than 2 percent
Busy rate	Less than 1 percent
Service level (total calls less busy signals and abandoned calls)	98 percent
First call resolution	85 percent

Electronic Services

A large delivery service company **has connected its web page with its corporate data systems via an interactive engine.** Customers fill in an electronic form to track the status of packages they sent, determine transit times between destinations, or get pricing details.

In the mid-1990s **many utility companies began offering e-mail access and real-time account data to customers.** By supplying their account number, customers are able to review usage, bill amounts, and the date of receipt of the their last payment for the previous 24 months. The system does not display individual names or addresses, to protect customer privacy. **Online bill presentment is a new electronic commerce application being introduced by a number of**

On-line bill presentment is a new e-commerce application.

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utility companies. Customers who choose this payment option no longer receive a monthly bill in the mail. Instead, they view the bill on their bank's web site and arrange to pay the amount directly from their checking account. There is a button for e-mail access should they have questions about the bill. This service will provide significant printing and postage savings for the utilities.

Numerous banks have **web sites that allow customers to perform transactions such as balance inquiries and transfers.** For security, in addition to customized security routines, the socket layer is built into the web browser.

The leading company in terms of support and standardization for Internet applications, has a **global "Internet Council" that manages standards, criteria, and content for all web pages** and supports each business line with web and database technology expertise.

An Internet Council manages standards, criteria, and content for all web pages.

To accommodate continued increases in passengers, a **large European airline installed a network of self-service kiosks around the country.** Customers can make reservations and pick up tickets, elect seat assignments, and check in for individual flights. Each network of machines is linked directly to the airline's host for passenger check-in and to the European-based computerized reservations consortium.

A large computer software and services company recently signed a multiyear services and development agreement with another firm **for continual measurement and monitoring of the quality of its Internet service. The service will establish benchmarks for web site performance and reliability, and determine the effects of these elements on consumer satisfaction.** The continuous flow of performance data will be used to optimize consumers' experience and level of satisfaction.

A maker of case packing machinery has made a strong commitment to customer service by using a **videoconferencing system known as video response system,** which allows repairs to be made on its equipment within minutes. The system lets engineers "see" the machinery and conduct interactive repairs immediately after a problem happens. The company says it can make 80% of its repairs this way, and the system is installed in 50 companies in six countries. The repair session is recorded, so

customers can watch a video of the original repair and make future repairs without the company's help.

Integrated Services

Desktop information systems to support customer services are generally developed in-house and supplemented by commercial software.

Successful systems are developed utilizing front-line workers on the development teams. Avoiding coded information (e.g., enter 23 to change marital status or 46 to add someone to this account), and incorporating plain text, menu choices, and icons in the application designs allows front-line workers to concentrate on learning business functions instead of "user-hostile" systems.

Service representatives for an Internet service provider answer phone calls, e-mail, and regular mail. This allows for **uniformity in training, employee development flexibility, and a uniform style of customer contact.**

A large brokerage company developed **a computer client-server set up that provides the most current financial information available to customers who access it via phone representatives, the Internet, or a voice-automated system.** The system gives customers the information they need quickly and allows one brokerage representative to do what two or three used to do, with each answering 50 to 110 calls per day. The voice-response portion of the system handles about 75% of all calls. **The cost of a computer-answered call is about 70 cents, compared with \$11 per call answered by a person, quickly offsetting the \$9 million cost of the systems.**

A natural gas utility built a customer service support information system to meet numerous design requirements, but users ended up with access to over 250 screens loaded with data. To solve this problem, **the design team determined that the 40 percent of questions most frequently asked could be grouped and made accessible from a single screen, a "super window."** In the new system, a user can log on to the system and immediately access the super window. Icons across the top of the window alert the representative to the account status of the calling customer (e.g., shut off for nonpayment).

One office-supply chain is **pursuing customer intimacy**. To do that, the retailer is shaking up its management team, developing a database full of customer information, and changing its reward system.

Many companies are pursuing customer intimacy by compiling lots of customer information.

To get to know its customers, the company has been compiling lots of information about buying habits and storing it in a massive database. To get the information, the company used a membership card, which gave customers a discount on certain items every time they produced it at the register. Each time customers used the card information was collected about their buying habits.

A carmaker is combining call center and Internet technology to provide luxury-class customer service. This new service **lets customers talk directly to representatives while navigating the company's web site.** Customers who want more information after visiting the frequently asked questions section of the web site can key in their telephone number. The number is transmitted to the company's 45-agent call center, from which an agent calls the customer within a matter of seconds to field additional questions.

Event-driven records are considered "alive" in the system until they are resolved.

New technology, training, and a uniform approach ensure that **customer records are accessible no matter which service representative assists a customer with questions or concerns** at one high tech firm. **Event-driven records are considered "alive" in the system until they are resolved.**

External Partnerships

Many tax administrations have arrangements with financial institutions whereby taxpayers coming to the facility to make tax payments can also file their returns. A memorandum of understanding describes the procedures for forwarding the returns to the tax authorities. In some cases, banks will also transcribe the return and send the return data electronically or on diskette.

On a quarterly basis, a large PC manufacturer **invites a sample of its highest volume customers** to its headquarters to **provide information and feedback.**

Organizational Attributes for Success

A financial services company had 85 separate financial centers staffed by 20 to 30 employees each serving various businesses, 13 separate payroll systems in the United States alone. **The company became a “shared services” organization, providing common staff functions and support functions as “centers of excellence” serving the entire organization.**

The COPC-2000 Standard is a demanding customer service certification program many companies are implementing. It sets forth a complex set of minimum requirements that a customer service provider must meet to ensure the quality of the products and services it delivers to its customers. **To become COPC-2000 certified, a CSP must meet process standards in the areas of performance measurement, processes, people, planning, and leadership.**

An airline has a somewhat unconventional training program for new hires. The program emphasizes the company’s commitment to customer service and **makes employees aware of their individual accountability in keeping customers happy.** The hiring process is very selective. It sifts through thousands of job applicants to fill its slots, **looking for people most likely to provide outstanding customer service.**

Employers now look for applicants most likely to provide outstanding customer service.

A large health care provider uses technology to screen for new applicants while decreasing turnover. The new PC/CD-ROM interactive program used is self-directed. Applicants can come in any time to go through the process. Applicants also see and hear actual customer service representatives talking about their jobs. They watch a video that focuses on “a day in the life” of a healthcare service representative and includes a realistic preview of the job’s responsibilities. **Both time and money are saved by reducing cost per hire as well as reducing turnover.** In 1998, the company also implemented a “quiz of the day” for each representative, using the data to build a database for use in staff coaching and performance management.

Well-managed business relationships are so strategic to the business plan of one manufacturer of communications equipment that customer support reports directly to the CEO. The company has a **“customer advocacy” division that oversees technical and ordering support, professional**

services, and partner relationships. The IT department reports directly to customer advocacy so that **technical projects are tightly woven into customer service.** According to the Gartner Group, this company has done it the best because “it puts customer service at the top.”

Some world-class companies have instituted **standard operating procedures for complaints: listen, ask questions, apologize, propose action, and follow up.** Having a standard process to follow helps to depersonalize any confrontational situation for the companies client contact representatives.

A 1997 study on customer satisfaction performed by a large management consulting firm suggests that **companies should segment their customers and target their marketing efforts to provide superior customer care.** A business services company has installed a **closed-circuit television system that runs a slide program with information updates, service and sales tips, and advice on handling stress.** The program changes daily. The company also uses the system to recognize employees for excellent performance and alert agents to special situations that might generate an unusually large call volume.

A PC manufacturer’s customer service representatives are responsible for fixing customers’ problems. The company develops employee performance plans and **employees are measured on how well they satisfy customers and solve customer problems.**

Summary

In this chapter we have attempted to understand what world-class companies do to improve in the realm of customer service. The above best practices represent improvement initiatives that have worked well or been recognized by benchmarking studies for companies and organizations with processes similar to those of tax administration. This makes them good candidates for review and consideration by the PATA nations. The implementation approach described in the following chapter can be used to determine whether a specific idea is suitable for a country.

The best practices within the modes of access tend to mirror the level of improvement initiatives found in the PATA nations’ reports (with the exception of external partnerships). For example, there tend to be many

World-class best practices tend to mirror PATA nations' improvement initiatives.

best practices and improvement initiatives for telephone and electronic services but very few regarding written modes of access. This broad comparison can be construed to validate that the PATA nations are doing a good job in comparison to world-class companies and organizations as well as staying on the technology curve. No direct category to category comparison was conducted because any particular best practice may not be suitable for tax administrations in general or for a specific nation.

To achieve world-class status, service design and delivery require a series of iterative steps involving process, technology, and content that affect every facet of customer service. During the best practice research, many of the same companies appeared on many different abstracts. Using characteristics associated with the Baldrige award described at the beginning of this chapter, the PATA nations can similarly manage and improve on processes in a way that leads to continuous improvement.

CHAPTER 4

WORLD-CLASS CUSTOMER SERVICE STRATEGIES

The benefit of this study is in building a common base of improvement data.

The benefit of this study is in building a common base of improvement data and analyzing and presenting it for use by the member nations' tax administrations in achieving excellence in client services. We arrived at this juncture by using the following approach:

- Site visits to each nation to collect improvement initiatives
- Research of international benchmarking data bases and literature to identify industry world-class best practices
- Participation in an Information Exchange Workshop with PATA representatives to review and update the draft benchmarking study report.

The open dialogue, briefings, visioning, and questioning by the PATA representatives during the workshop helped frame the approaches that will significantly contribute to member tax administrations.

This report includes descriptions of 80 PATA improvement initiatives and 27 world-class industrial best practices. Collectively these initiatives and best practices provide a database of potential improvement opportunities for consideration by the PATA nations. The participants of the

The ten strategic approaches provide a strategic management framework for achieving world-class performance.

Information Exchange Workshop further developed 10 strategic approaches that describe the direction world-class organizations are taking to achieve their vision and strategic goals for excellence in customer service. The improvement initiatives and best practices are subsets of one or more of these strategic approaches. The nations are not expected to adopt all the initiatives and best practices; each has individual needs and unique environment. The 10 strategic approaches should be considered in total, however, because they provide a strategic management framework for achieving world-class performance. Following these approaches, organizations maintain a client care environment, shown in Figure 4.1², that continually refreshes the process, technology, and content that affect all aspects of client services.

² "Online Customer Care", Michael Cusack, ASQ Quality Press, 1998

Figure 4.1 shows an environment that provides modes of client access for a variety of services. The environment is supported by robust integrated systems that provide client contact representatives with information to resolve clients problems/needs during the first contact. The quality of this client information is maintained through knowledge and documentation engineering and employee training. The figure also shows organizational attributes that emphasize continuous management attention to resolving short-term problems, maintaining client and employee satisfaction, and improving client services processes. All of these activities are interdependent components of an environment that offers excellent client services.

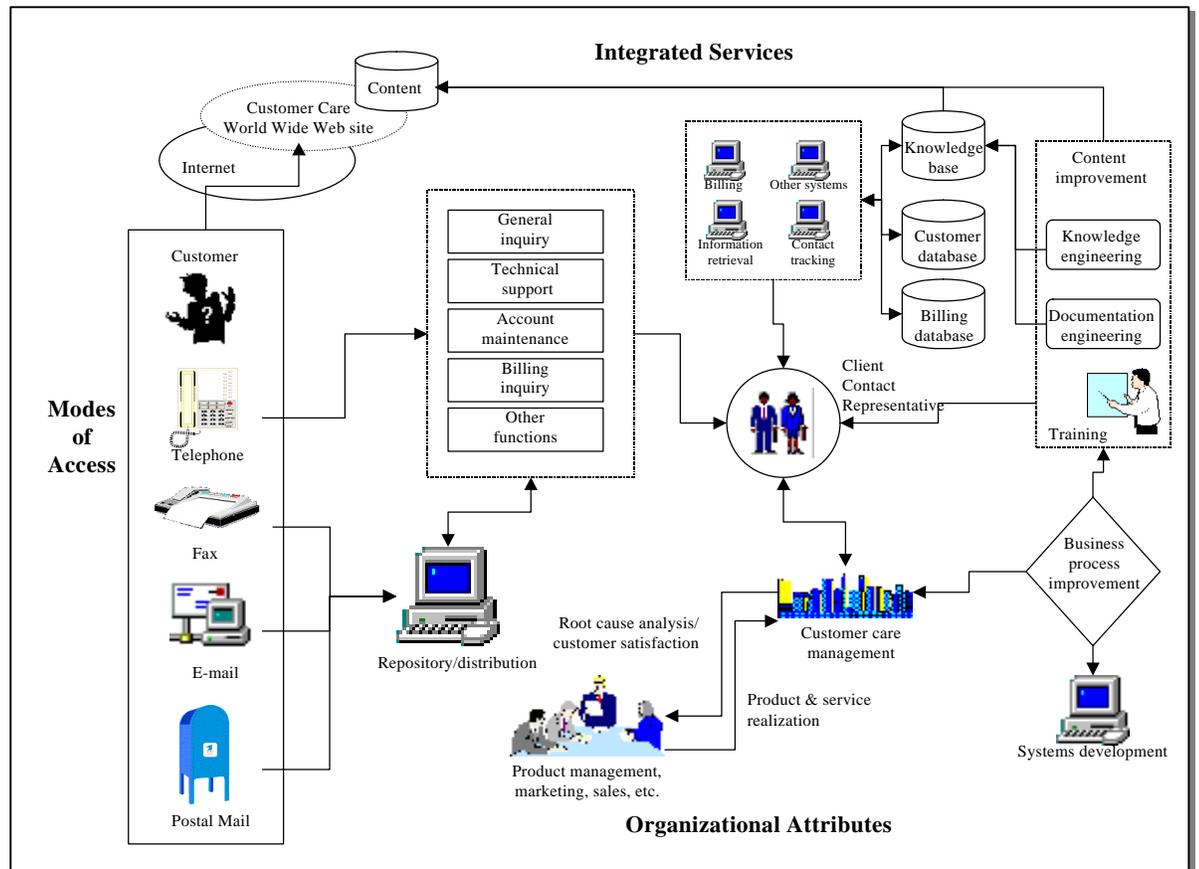


Figure 4.1 - Client Care Environment

The following paragraphs describe the strategic approaches; offer an implementation framework for analyzing, selecting, and implementing improvement initiatives and best practices; and suggest some conclusions.

Strategic Approaches

The 10 strategic approaches described below encompass the things world-class organizations do exceptionally well:

The ten strategic approaches encompass the things world-class organizations do exceptionally well.

- Understand their clients and provide excellent cost effective services
- Maintain knowledgeable and satisfied employees
- Continually refresh their processes, tools, and technical infrastructure
- Monitor performance, adopt best practices, and continually improve.

These approaches provide a foundation upon which to implement customer service best practices. They are generally reflected within the organizational attributes of a company and then built into the strategic goals from which improvement initiatives can be developed and implemented.

Strategic Approach 1. Successful client service organizations solicit and understand the needs and expectations of their clients.

No efforts to improve customer service will succeed without ample current knowledge of customer requirements and expectations, which change constantly. Client-focused organizations obtain this information using various approaches:

- Individual surveys routinely attached to product and services delivery
- Formal surveys of large client bases conducted by research firms
- Data collected at point of client contact by service representatives.

Client needs information addresses the type of service and its location, and access methods. Client expectation and satisfaction information includes the following measures:

- How satisfied was the client with the time it took to get the service?

Successful organizations consider client information collection and analysis to be a core business process.

- Were staff knowledgeable and competent?
- Were staff courteous and did they make the client feel comfortable?
- Did the client feel that he or she was treated fairly?
- In the end, did the client get what he or she needed?

Successful organizations consider client information collection and analysis to be a core business process. Employees are trained, processes are designed, and databases and management information systems maintained to continually collect and use client information to improve services.

Strategic Approach 2. Effective products and services are tailored to client needs and expectations and are delivered with the optimal balance of cost effectiveness and benefit to clients.

Multiple, complementary modes of access allow customers to choose the convenient or necessary mode.

The trend in world-class organizations in both the public and private sectors is to focus product and service improvements on specific client groups. "One size fits all" does not work in client services. Multiple, complementary modes of access allow customers to choose the convenient or necessary mode. Customers have a preferred mode of access based on their circumstances, which might be influenced by any of the following:

Age	Availability of service
Culture	Ease of use
Literacy level	Customer issue
Urgency of need	Convenience

Because tax agencies are public entities, they are responsible for providing products and services to all customers in the most cost-effective manner. Public agencies must balance benefits against cost. They must provide a mode of access to clients with special needs that may cost more, while encouraging the majority of their clients to use more cost-effective modes.

Strategic Approach 3. Successful client contact organizations use balanced measures to identify opportunities for performance improvement.

Balanced measures help organizations allocate management attention and resources to things that are important.

To achieve business goals, successful organizations use balanced measures to monitor organizational performance and customer satisfaction, and to identify areas for continual improvement. Balanced measures are a set of metrics covering multiple interdependent perspectives of an organization's operations. They help organizations allocate management attention and resources to things that are important.

Balanced measures normally include the following perspectives:

- Strategic/Financial – measures the achievement of strategic and financial goals, such as market share, profit, return on investment
- Customer Satisfaction – measures timeliness, quality of service, courtesy, fair treatment, outcome
- Internal business process – measures cost of service, cycle time, input and output quality
- Innovation, learning, and employee satisfaction – measures introduction and exploitation of new technology, improvement implementation, job satisfaction, empowerment, career development.

All of the above measures are a part of the equation to deliver products and service with the optimal balance of cost effectiveness and benefit to clients and to the organization. The bottom line is that world-class service is a blend of all of these measures. Excellence in only one or two is not enough. Executives and operational managers continually use these measures to monitor performance to determine the need and scope of improvement activities.

Strategic Approach 4. Client contact employees' knowledge, skills, and abilities and the quality of their support tools are key to providing excellent service, regardless of the mode of access used.

Motivated people provide outstanding customer care.

Motivated people provide outstanding customer care. Regardless of the mode of access, the caliber of service representatives is extremely important. High-quality, knowledgeable support is expensive and requires an ongoing investment to gain results. Investment begins with the hiring of employees with the knowledge, potential, and interpersonal skills to deal with clients; service representatives must be trained to answer client questions in a number of areas; and employees need to be afforded the benefits, respect, and empowerment that contribute to their satisfaction and retention.

Client information should be current and integrated with all other transactional or instructional information sources to prevent taxpayers from receiving different answers from different sources. Automated support tools should enable service representatives to give a correct answer on most subjects without the need to transfer or refer the customer elsewhere. While getting through to a courteous, sympathetic representative within 10 seconds may initially be highly satisfying, that satisfaction is unlikely to continue if the customer must call back several times to resolve a problem. New technology alone is not an effective solution.

Knowledgeable employees and effective processes and tools must be continually refreshed to facilitate the timely and satisfactory resolution of every customer contact, whether it is via an inbound call center, a company's web site, or face-to-face.

Strategic Approach 5. World-class organizations embrace and demonstrate performance excellence in leadership, strategic planning, information collection and analysis, human resources, customer and market focus, process management, and business results.

Organizations that exhibit these attributes are able to know best practices when they see them, and have the leadership, courage, and techniques to implement them.

The delivery of world-class customer service must be supported by a framework of organizational attributes for assessing services, managing operations, and for implementing new initiatives. Attributes supporting this strategic approach for performance excellence relate to those of the Malcolm Baldrige Award criteria, which are similar to the national quality award criteria for each of the PATA nations. Organizations that exhibit these attributes are able to know best practices when they see them, and have the leadership, courage, and techniques to implement

them. The four approaches discussed under this major strategic approach category are applicable to service delivery. However, the set of organizational attributes is a foundation for all other approaches and must be addressed as a cohesive whole.

5.1. Management approaches and technical infrastructure of world-class organizations are continually refreshed to support delivery of excellent service.

Client expectations grow as organizations compete to provide the best service available. Likewise, taxpayers expect the same excellent service from their tax administration as they receive from their bank, insurance agency, or grocery store. They are also keenly aware of the improvements in service quality, timeliness, and convenience afforded by the rapid growth in technology. The structure of the organization effects the level of service provided.

Business practices must be continually improved and technology infrastructure refreshed to meet the growing expectations of clients while maintaining cost effectiveness.

Organizations that are structured around client groups to provide end-to-end service will generally provide a higher level of service than organizations that are based on a stand alone or “stove-pipe” organizational structure. Business practices must be continually improved and technology infrastructure refreshed to meet the growing expectations of clients while maintaining cost effectiveness.

5.2. World-class organizations use multiple sources of data, especially from front-line employees, for enhancing service.

Successful client service organizations recognize the value of technology to provide not only cost-effective and consistently excellent service, but to collect important client information. The customer contact representative (front-line worker) is one of the best sources of client information. Representatives should have the tools to input and retrieve relevant information instantaneously and convey it to the client. Their tools should also capture the context of the contact for root cause analysis and contact history purposes. Whether it is determining the reason a taxpayer is sending correspondence, or why a notice was issued or not achieving the desired impact, the stored information can be mined for

The customer contact representative (front-line worker) is one of the best sources of client information.

"This information is furnished under the provisions of an income tax treaty with a foreign government and its use and disclosure must be governed by provisions of such treaty."

opportunities to improve products and services. Other data sources are client surveys and best practices benchmarking.

5.3. Satisfied, capable employees are key to achieving a high level of client satisfaction.

Employees, especially front-line staff, are the public “faces” of the organization. If these are not happy faces, i.e., if employees are unhappy, clients’ perceptions of the organization and of its services reflect this dissatisfaction. Figure 4.2, adapted from a Revenue Canada briefing, depicts this situation. It suggests that the front-line staff is the “bleeding edge” between the client and the tax office and requires strong support from the “back office” and senior management to deliver exceptional products and services. The bleeding edge refers to the client interface that either satisfies or loses clients.

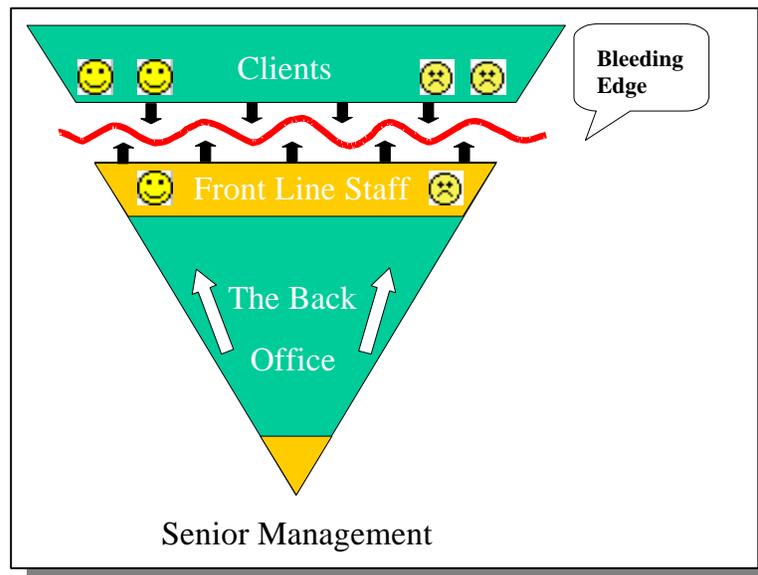


Figure 4.2 – Client-Focused Organization

Successful client services organizations respect, train, equip, and empower their employees to provide excellent services that are satisfying to both the clients and to the employees.

5.4. World-class organizations measure service outcomes.

An organization cannot improve what it does not measure.

An organization cannot improve what it does not measure. World-class organizations measure the things that are important to their business, namely outcomes such as customer satisfaction. Process performance measures, such as timeliness, cost effectiveness, employee satisfaction, and product quality are continually monitored to achieve planned outcomes. World-class organizations use balanced measures to achieve excellence.

Strategic Approach 6. Client-focused organizations provide excellent service within multiple modes of access and constantly assess the effectiveness and mix of service among modes.

Client service has evolved over time. In the not-too-distant past all client transactions were conducted by mail or in person. With the advent of the telephone, companies saw the advantage of servicing client requests by phone. In the future, the Internet will become the mode of access chosen by a large percentage of customers.

Each mode of access has a value in the service mix. The following are some examples.

- Call centers provide the same level of access to a geographically dispersed population.
- Well-scripted interactive voice response applications offer quick answers with speed, simplicity, and convenience.
- Walk-in sites can offer immediate resolution of certain problems, particularly when a document must physically change hands.
- Web sites provide customers 24-hour information retrieval at their convenience, at home or at their place of business.
- Written correspondence offers incontrovertible proof that a contact was made and what the answer was.

The two most resource-intensive modes of access are written correspondence and face-to-face. Improvements in these areas can still be

beneficial, e.g., workflow technology. Although workflow technology will improve the processing and use of written media, paper will probably never be entirely replaced.

The requirement to provide face-to-face access will continue because of the needs of certain clients and the inherent value to both the client and the servicing organization. However, the high cost of face-to-face service is causing tax administrations and commercial firms to give their customers incentives to use alternative methods of access that are faster and less expensive for both the provider and the customer.

Client-focused organizations constantly assess the effectiveness and mix of service by monitoring performance, analyzing client satisfaction information from surveys and front-line employees, staying abreast of technology advances, and benchmarking world-class organizations.

Strategic Approach 7. For telephone contact, world-class organizations achieve excellent service delivery and maintain client intimacy by using technology wisely.

For decades, the telephone has been the most convenient and widely used method of client access. This is because the majority of clients have access to telephones at home and in their work places.

Tax administrations can create an environment of trust and confidence by maintaining client intimacy.

Successful client contact organizations use the telephone, not only to deliver excellent services, but to collect client information in order to nurture client intimacy. Client intimacy entails effectively using client information to anticipate and answer client questions, and by referring to them by their name and by being friendly. Tax administrations can create an environment of trust and confidence by maintaining client intimacy.

Technologies and practices used by successful organizations include the following:

- Creating virtual call centers, from which calls can be routed to agents anywhere in the country.
- Consolidating a number of smaller “dedicated” call centers into one or more large ones for consistent client services and more cost-effective management.

- Empowering and training customer service representatives to resolve all issues so the taxpayer has only one point of contact.
- Requiring transfers to be done “live,” transferring customer information along with the call. To help accomplish this, representatives have user-friendly desktop information systems that provide quick access to customer account data.
- Employing call forecasting and workforce scheduling tools to ensure that the proper number of representatives are on duty, particularly during peak calling times.
- Using computer-telephony integration (CTI) to reduce talk time by getting much of the information prior to talking to a client contact representative.
- Using client contact tracking systems to make sure that contacts are satisfactorily closed, and information is updated for the next client intervention.

Strategic Approach 8. World-class organizations pursue secondary business effects through excellent delivery of contact services.

The level of service provided and the quality of that service have a farther reaching impact than just the product or service delivered. Client contact representatives are the primary face of an organization and can effectively shape secondary outcomes such as trust and confidence. A client’s overall confidence and trust in the tax administration is influenced by each and every contact. Whether it is filing a return or receiving a timely refund; calling and getting a correct answer to a question; or visiting a web site, these contacts can be used by tax administration as a means to improving compliance.

Providing excellent service fosters a cooperative attitude on the part of the taxpayer. Their cooperation to resolve problems and fulfill their taxpaying obligations will allow resources spent on “fixing the problem” to be shifted to “preventing the problem” focusing on pre-filing activities such as taxpayer education. Investments in service

Providing excellent service fosters a cooperative attitude on the part of the taxpayer.

improvements will quickly pay for themselves in lower cost of enforcement, and result in more satisfied clients and employees.

Strategic Approach 9. Successful client contact organizations continually assess and adopt industry best practices.

World-class organizations continually assess and adopt industry best practices by practicing benchmarking as an ongoing management function. They embrace benchmarking because of the tremendous benefits it offers.

- **Benchmarking generates substantial return on investment.** Through judicious benchmarking, organizations can directly improve quality, cycle time, productivity, and cost effectiveness. Demonstrating the dramatic returns on benchmarking efforts, the American Productivity and Quality Center (APQC) study, *Benchmarking: Leveraging Best-Practice Strategies*, reports that an organization with an average level of experience with benchmarking experienced a first year payback of \$76 million on its single most successful project. Organizations with relatively more experience with benchmarking enjoyed results more than double this amount.
- **Benchmarking creates a “Learning Organization.”** Benchmarking organizations more readily embrace a learning environment, which greatly helps in transforming an organization into a total quality and “best idea wins” culture. Benchmarking as a discipline can help transform organizations into learning organizations, thereby accelerating the rate at which they can adapt to new legislative mandates, environmental pressures, and external and internal requirements.
- **Help in Setting Performance Targets or Standards.** Benchmarking can play a significant role in performance management by helping to set appropriate targets for individual business processes. Via benchmarking, organizations are able to establish credible standards or performance targets simply by identifying and understanding world-class benchmark performance.

World-class organizations embrace benchmarking because of the tremendous benefits it offers.

- **Reducing Implementation Risk.** Benchmarking can be a great help in reducing the implementation risk for major initiatives. Benchmarking answers questions such as, “Have similar organizations implemented this type of client access?” “How did other companies implement best practices in client services?” Using lessons learned from others who have recently implemented similar initiatives, organizations can avoid having to learn how to implement initiatives solely by trial and error.

Strategic Approach 10. Improving client services is a series of iterative steps. Successful client contact organizations continuously scan the environment for emerging opportunities in technology and business practices.

Successful client contact organizations conduct an ongoing benchmarking process to identify best practices and emerging technologies to continually improve their business.

By 2001, it is estimated that enterprises will receive 25 percent of all customer contacts and inquiries through Internet e-mail messages and web forms. The increasing number of computers makes this a very attractive form of high-quality, low-cost service delivery. Intelligent Internet applications are currently driving changes within the electronic service delivery area. Most world-class financial firms provide access to web-based account data. In some cases, transactions are also being permitted. Security issues still inhibit large-scale transaction processing on the Internet, although the use of PINs, encryption techniques, and public key infrastructure technology is beginning to resolve this issue.

Another new technology is self-service kiosks placed in public locations such as train stations and malls that allow customers to conduct business with electronically. Some provide the ability to conduct business with a representative via video hook-up.

Over the next decade, the proliferation of high-speed transmission facilities to the home will certainly encourage a huge increase in on-line services. The Internet and similar networks are likely to become powerful interactive media. Controlled by wireless keyboards and other devices from a comfortable chair, these media will epitomize the integration of the telephone, computer, and television for increasingly

To promote the use of the electronic services, the challenge for PATA nations is to develop products and services that are simple, inexpensive, and trusted.

sophisticated audiences. An extreme view would be that sole reliance on the mail or on the telephone as a means of client contact will become obsolete within a few years.

To promote the use of the electronic services mode of access in the future, the challenge for PATA nations is to develop products and services that are so simple, inexpensive, and trusted that taxpayers will prefer them to the traditional methods of calling and mailing.

Implementation Framework

A true measure of success will be how PATA nations take advantage of the opportunity to use the good ideas and best practices discussed in the Atlanta workshop and presented in this report. The strategic approaches described above will help to set the foundation and to guide policy and planning. Figure 4.3 provides a framework for analyzing, selecting, and implementing specific initiatives and best practices.

This framework suggests that activities such as gap analysis and business case development conducted during typical benchmarking studies need further attention from member nations.

A true measure of success will be how PATA nations take advantage of the opportunity to use the good ideas and best practices.

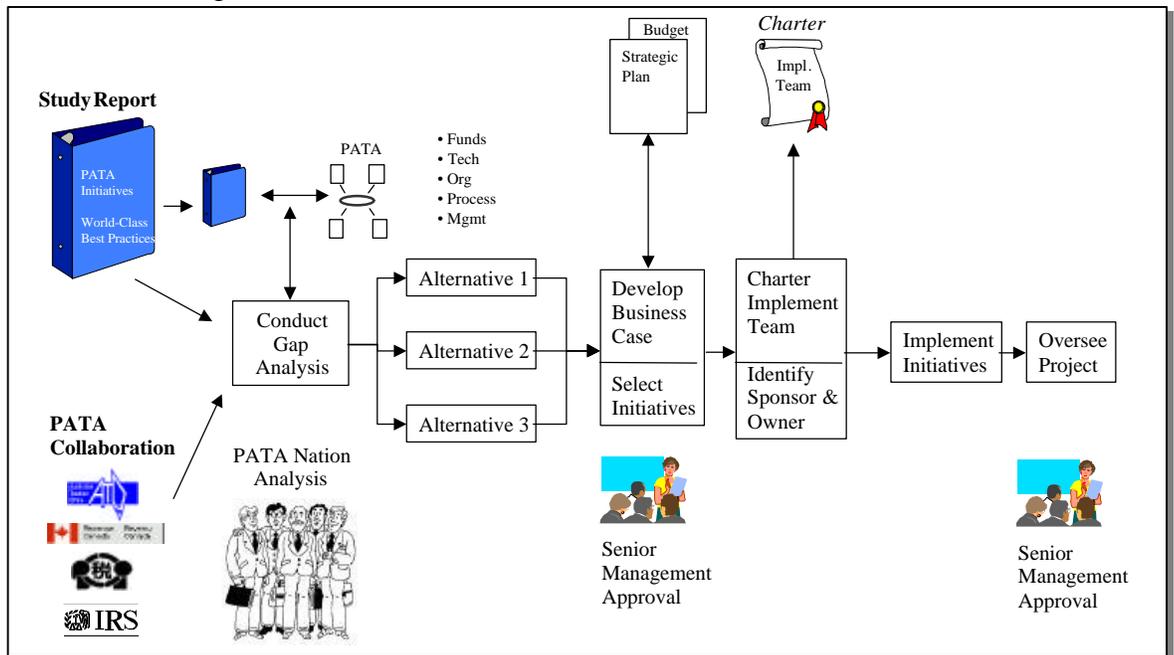


Figure 4.3 – Initiative Implementation Framework

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Gap analysis can be used to compare any of the 10 strategic approaches and their associated improvement initiatives and world-class best practices against their client service modes of access performance. For example, one nation might ask why another nation has achieved a certain level of performance. The answer might be in the business process design or a particular technology that the nation used. It may also be the result of an environmental factor that is unique to the specific country. This gap analysis should generate further collaboration between the nations.

Gap analysis might identify alternative ways to improve services. Business case analysis would then be used to compare alternatives and select the one that produces the greatest performance improvement and savings for the lowest cost. Unfortunately, alternative selection is rarely straight forward. Sometimes one alternative provides the best performance results on certain performance measures, while another performs better on other performance measures, and another may be the lowest cost alternative. To assist in this regard, SRA International provided each nation with a *BizCase*, *Building a Better Business Case*, tutorial and software to analyze and select alternatives.

The framework suggests that nations would then determine whether the selected alternative supports its strategic goal and strategies and if funds were available to finance the initiative. This analysis and decision making would be accomplished in the nations' strategic planning and budgeting process.

The framework further suggests that executive management provides support by selecting an executive sponsor and process owner and chartering an implementation team. The charter would name the team members and establish project goals, outcomes, performance measures, scope, and schedules.

Remaining activities include ongoing executive oversight to monitor the implementation against performance measures, and to guide, modify or terminate the project as needed.

PATA member nations can obtain additional information on the industry best practices by contacting the office of the Assistant Commissioner, International, U.S. Internal Revenue Service, 703-874-1900. The IRS is also available to facilitate communication among member nations for detailed information on specific countries' initiatives.

Conclusion

The experience of benchmarking customer service activities among PATA member nations has been very positive. The cooperative sharing of exciting ideas by the four participating nations resulted in an impressive list of improvement initiatives and best practices. Representatives agreed that this study has served as an excellent example of the mutual interests shared by the member nations and the fruitfulness of sharing ideas.

The cooperation among the nations was evident from the very beginning. Their desire to contribute was obvious in their preparation for the site visits. Each nation devoted a full week to briefing and sharing good ideas, and conducting tours of their tax offices and call centers during the busy filing seasons.

The positive and respectful attitude of all the nation's representatives and the quality of their input strengthened the final study report.

All of the nations reviewed the draft study report and gave their perspectives at the information exchange workshop in Atlanta during the week of June 7-11, 1999. The positive and respectful attitude of all the nation's representatives and the quality of their input strengthened the final study report. Going into the workshop, the team hoped for partial consensus among the nations, given their diverse environments and needs. What resulted surpassed everyone's expectations; the representatives believe the resulting report will help them develop a convincing case to pursue the adoption of improvement initiatives and best practices in their own operations.

During the workshop, the representatives recommended that the PATA nations continue to cooperate in exchanging ideas and facilitating the exchange of information. They also proposed that follow-on studies be initiated to investigate other aspects of customer service which the representatives deemed important. The following list of potential topics was developed for future study:

- Employee selection criteria for client contact representatives
- Cultural shift to a service orientation from protection of revenues and processing
- Measures of performance outcomes

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- Knowledge-based management of client contact services
- Research on the link between service and compliance
- Understanding why clients contact the agency and why they choose the selected mode of access.

In order to stimulate continued interest in cooperative studies, the PATA representatives intend to encourage their respective leadership to pursue the findings of the current study and to continue the benchmarking process by sharing the outcomes of actions taken. Each

The PATA representatives intend to encourage their respective leadership to pursue the findings of the current study and to continue the benchmarking process.

nation can use the implementation framework offered in section 4.2 to identify alternatives for further development. Because the alternatives were identified in a cooperative effort, sharing the results of individual nation's activities will continue the cooperative effort. Experience implementing new initiatives itself constitutes cooperation to the extent that one nation can share lessons learned to the benefit of the other nations. A forum for periodic update of actions taken is recommended.

Possibly the greatest benefit of this benchmarking study is not the extensive list of specific improvement opportunities nations might choose to pursue, but the process itself and the strategic approaches to guide future pursuits. The current study has demonstrated that the process works well even when the participating countries represent diverse

The current study has demonstrated that the process works well even when the participating countries represent diverse business environments and needs.

business environments and needs. The strategic approaches represent a model for world-class customer service that can help shape future improvement initiatives. To the extent that the countries establish along similar lines their own specific goals, strategies, and improvement projects, future cooperative efforts should be even more straightforward with the common denominator established by the strategic approaches. As the countries experience success in achieving some of these world-class characteristics, their shared successes can become a paradigm for continued cooperation.

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PATA Benchmarking Study Report

Australia Australian Taxation Office

October 1999

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1.0 MISSION, VISION AND MANAGEMENT APPROACH

The purpose of the Australian Tax Office (ATO) is to manage and shape systems that support and fund services for Australians. Its vision is to be the world's best at what it does and a leader in the international community.

The main functions of the ATO are to administer taxation legislation and the Higher Education Contribution Scheme (HECS), and to support the provision of retirement income. Its client base encompasses approximately 11.5 million individual, business and public sector accounts.

The ATO also works with other departments on policy matters relating to taxation, child support, superannuation and HECS. When government determines policy, the ATO instructs parliamentary counsel in preparing necessary legislation. The main areas of legislation the ATO administers are income tax, fringe benefits tax, sales tax, higher education funding, the Medicare levy, the superannuation guarantee, and small superannuation accounts.

Challenges the ATO faces include pressures generated by tax debate, the continuing pressures placed on the tax system by aggressive tax planning and globalisation, and the appropriate taxation of Internet commerce.

The ATO improves continually through aggressive strategic management. Overall goals are to:

- Improve the ATO's responsiveness to government and community needs.
- Increase the organisation's ability to adapt to rapid external change.
- Better align the skills of staff to new and emerging work.
- Continue to move to proactive, intelligence-based strategies.

ATO publishes a three-year strategic plan, revised annually. The Individuals Non-Business (INB) organisation (the principal focus of this study) also publishes a strategic plan that establishes 10 INB goals to meet ATO strategic outcomes, performance targets against INB goals, and targets to gauge performance against Taxpayer Charter (customer service) standards. The ATO and INB distribute their strategic plans to the public in easy to understand pamphlets. Monthly performance reports and triennial management reports by ATO subordinate organisations provide corporate oversight. The Taxpayer Charter, including a Taxpayer Bill of Rights and performance standards, is designed to improve the ATO's relationship with the community.

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2.0 ORGANISATION AND STAFFING

ATO's leadership consists of:

- Commissioner of Taxation
 - Three Second Commissioners
 - Five business lines headed by Deputy Commissioners
 - Large Business and International
 - Small Business Income
 - Individual Non-Business
 - Superannuation
 - Goods & Services Tax (future)

The ATO is structured around client groups in divisions known as business and service lines. Each business line is responsible for a major market segment, such as individuals, small businesses and large businesses. Service lines provide internal support duties such as information technology, marketing and communication, and human resource management. The ATO organisation chart is shown in Figure A-1.

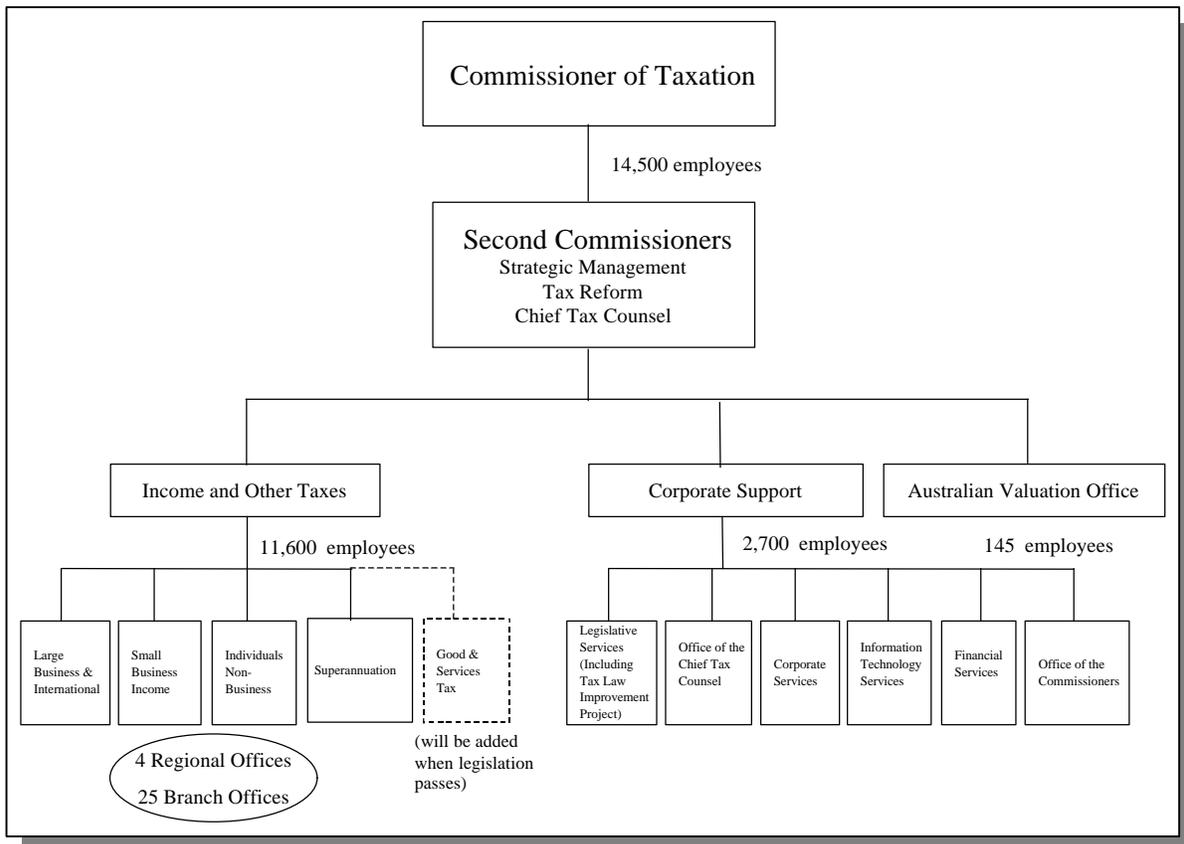


Figure A-1. Australian Taxation Office (ATO) Organisation

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Business lines for income and other taxes are as follows:

The **Individuals Non-Business (INB)** business line establishes client liabilities (other than for the very wealthy), securing lodgment of income tax returns and payment of taxes from non-complying clients. INB also has a number of major corporate functions and roles, including tax agent liaison, a general enquiries service via telephone and branch office counters, and income matching. Its client base is approximately 8 million taxpayers and 24,000 tax agents.

The **Small Business Income (SBI)** business line administers the income tax system for all business taxpayers with annual gross turnovers of less than \$10 million (AUS). It is also responsible for fringe benefits tax matters for all taxpayers and administers the salary wage withholding system, i.e., Pay As You Earn (PAYE). SBI's purpose is to ensure that small business participants and taxpayers with fringe benefits tax responsibilities comply with the tax laws at minimum cost to their businesses.

The **Large Business and International (LB&I)** business line administers the income tax affairs of clients with turnovers greater than \$10 million (AUS), and associated high wealth individuals. It also has general responsibility for international issues. LB&I works with seven industry segments: banking and finance, insurance and superannuation, mining and petroleum, manufacturing, media and communication, property and construction, and services.

The **Superannuation** business line is responsible for administering the superannuation guarantee, reasonable benefits limits, superannuation holding accounts reserve system, and the superannuation surcharge on contributions from higher income earners. It is also responsible for relevant Tax Office superannuation policy and improving the Tax Office's client focus in superannuation matters through the superannuation community education campaign.

ATO employs a staff of approximately 14,500. About 11,600 of the ATO staff are devoted to income and other taxes. Tax function staffing has decreased by approximately 4,000 since 1991-1992, while workload in numbers of taxpayers served increased by over 1 million.

The focus of this benchmarking study is the INB organisation. The INB's management structure, shown in Figure A-2, includes:

- Functional support (National Office)
- Stream leadership and national functional management (National Office)
- Operational management by Regional Commissioners (in four regions totaling 26 branch offices and access centres).

ATO's stream leadership management structure is indicative and supportive of a strategic management system and an emphasis on organisational improvement. Operational

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management and business process reengineering and process improvement initiatives are aligned under six major activities, namely: Correct Lodgment, Public Assistance, Liability Determination, Interpretation Compliance, Correct Payments, and Tax Agents. National Function Managers and Stream Leaders in headquarters write the policy and follow performance, respectively, and the Regional Directors and Site Directors execute the policy and procedures and report performance.

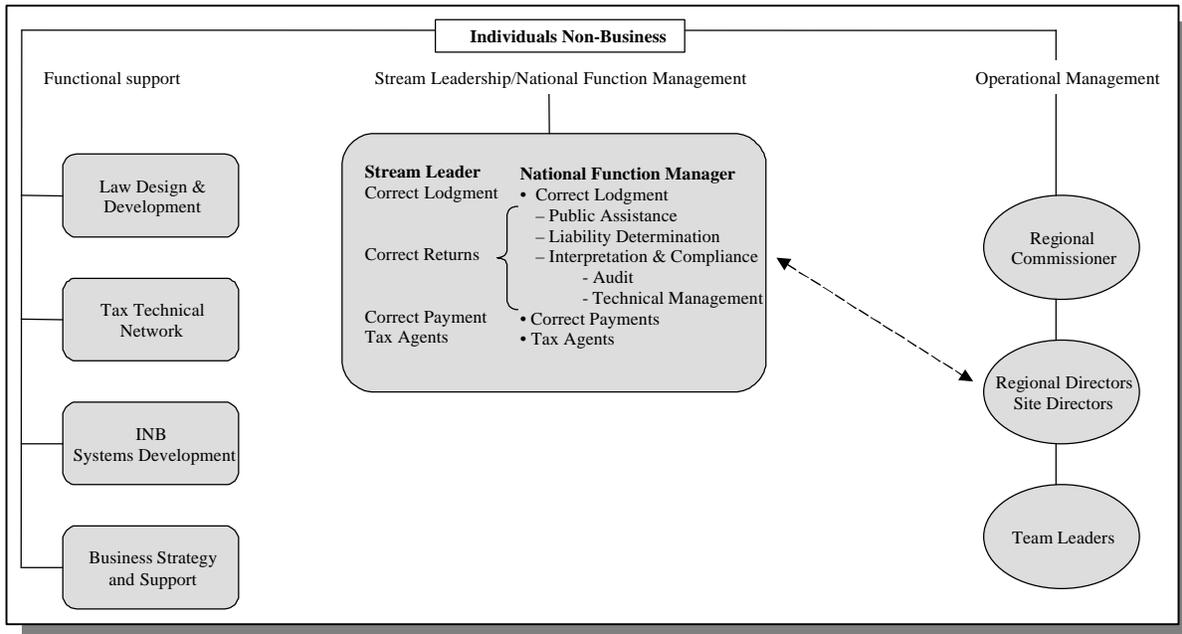


Figure A-2. INB Business Line Management Structure

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3.0 CLIENTS AND CUSTOMER SERVICE DEMOGRAPHICS

In 1996-97 there were approximately 11.5 million total taxpayers. While individuals accounted for 85% of all taxpayers, they were only liable for 74% of net tax. In contrast, companies accounted for only 5% of all taxpayers, yet were liable for 22% of net tax. The INB business line had 7.5 million clients, the SBI business line had 4 million clients, and the LB&I business line had slightly more than 32,000 clients.

In 1996-97, 9.9 million individual taxpayers lodged returns, representing 54% of the total Australian population. While the population of Australia increases each year, the proportion of the population lodging returns has remained relatively stable. In 1996-97, tax agents submitted 81% of tax returns. In 1996-97, 71% of tax returns were lodged through the electronic lodgment service. The proportion of taxpayers lodging electronically is expected to continue growing as the Tax Office takes advantage of developments in electronic technology.

Figure A-3 shows the regions and the location and number of service centres and offices. Client Service Centres (CSC) and ATOaccess offices are located in the more densely populated areas such as Sydney, Melbourne, Canberra, Brisbane, Victoria, Perth, and Darwin.

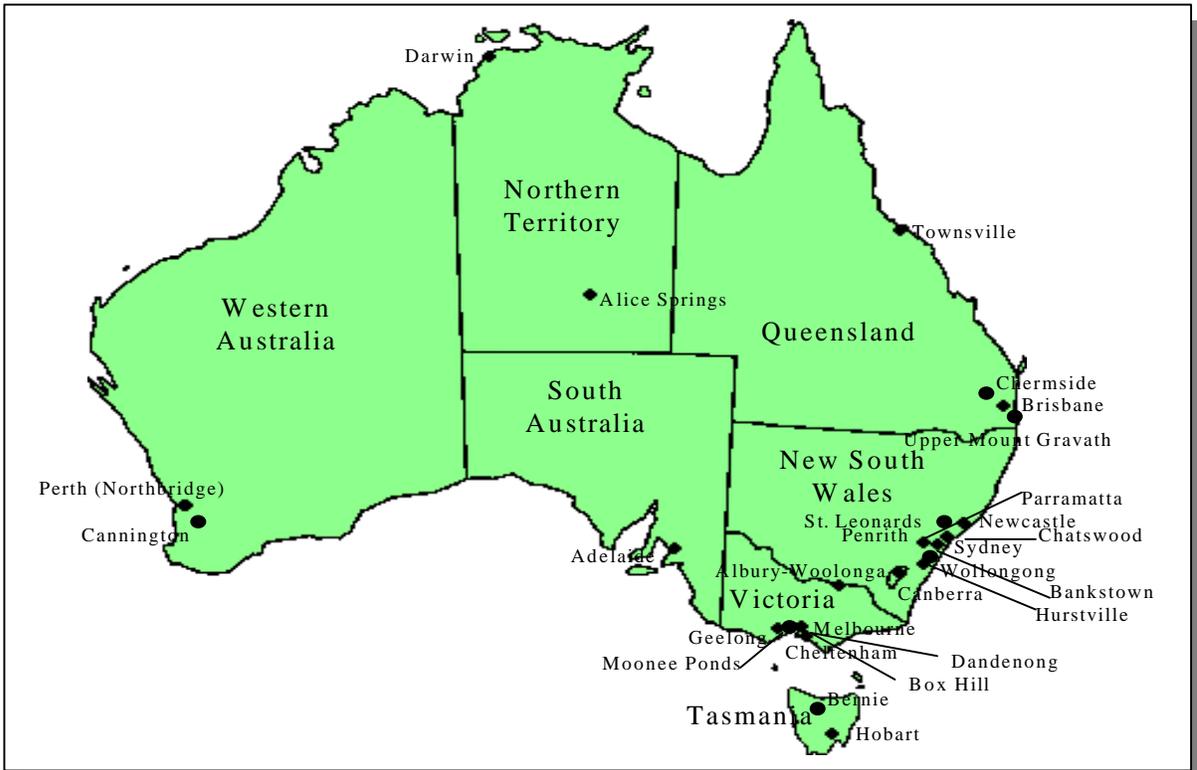


Figure A-3. Australia – ATO Regions and Offices

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4.0 POLITICAL AND CULTURAL INFLUENCES

The government has introduced tax reform legislation into Parliament that will end the Wholesale Sales Tax (WST) and implement a Goods and Services Tax (GST). A taxation task force, with Treasury and ATO resources, will advise the government on reform options. The ATO has received additional resources to develop new systems to implement different newly introduced collections. However, the Australian personal income tax system will continue to be used to meet social and welfare objectives, not just to raise revenue.

Under the proposed legislation, any answer given by ATO to a taxpayer with simple taxation affairs will be binding. The Client Services Officer will give the client his or her name and a reference number with the ruling. ATO is currently developing a system to capture the advice given.

The implementation of taxation reform will also see the ATO establish its first physical corporate call centres that will feature the latest in information technology and Computer-Telephony Integration equipment. No decision has yet been made as to whether INB's virtual call centres will be associated with this initiative.

5.0 TAX ADMINISTRATION ENVIRONMENT

Australia's income tax system is based on the principle of self-assessment. Previously, all tax returns were reviewed individually before a notice of assessment was issued. This was very labour intensive and reviews relied completely on the information contained on the return forms.

Self-assessment based on voluntary compliance is more efficient. Tax return forms are accepted at face value and are not reviewed individually. Education and information services support this approach. Enhanced pre- and post-assessment audit processes have been introduced and systematic, computerised income checks for interest and certain other sources of income have been strengthened.

All taxpayers are allocated a Tax File Number (TFN). The TFN is used to detect non-disclosure of income and to match income details in tax returns with information from other sources. TFNs are used for both salary and wage income and investment income. Failure to quote a TFN may result in tax being deducted from the payment at the top marginal tax rate. In addition, a client must have a TFN to lodge electronically.

A taxpayer must apply to receive a TFN. Application information is keyed into the ATO computer system. Original documents are required for proof of identity. The ATO is looking at the feasibility of linking their computer system with the Department of Immigration to receive information on new arrivals with work rights. ATO hopes to have a TFN allocated to new clients before they arrive in the country. Clients would need only to prove their identity to receive their TFNs.

The Australian tax system is largely a PAYE system, operating on a fiscal year basis. The tax year is from 1 July to 30 June and returns are lodged from 1 July to 31 October. After the return is lodged, ATO computes the tax and sends the client a Notice of Assessment. It contains either a refund check or a bill for the amount due. All tax debts are due on 1 December at the earliest. All individual tax returns are for the primary taxpayer; there is no joint filing status.

In 1998, 9.8 million returns were filed: 7.15 million (73%) electronically, and 2.7 million (25%) by paper. The cost of processing the 7.15 million electronic returns was approximately the same as the cost of processing the 2.7 million paper returns. Figure A-4 shows the flow of returns from individuals and tax agents through the lodgment and assessment systems and the resulting ATO generated outputs.

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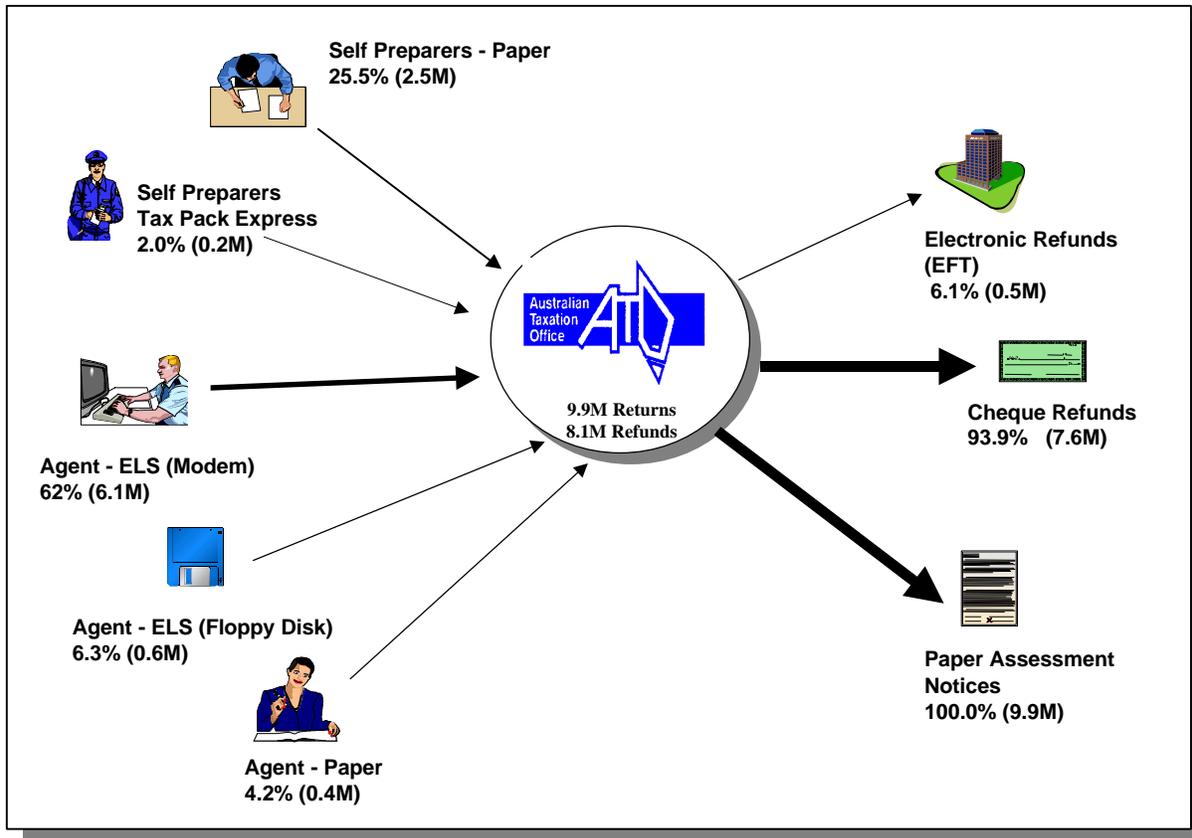


Figure A-4. Returns (Lodgment) and Refunds

The ATO will allow debtors who face genuine difficulty and have the capacity to pay the debt over a reasonable period of time to pay their tax debts by installments. People unable to pay their tax liability without facing serious hardship can apply to the Taxation Relief Board to be released from their liability. Serious hardship exists when payment of a tax liability would result in the applicant being left without the means to purchase food, clothing, medical supplies, accommodation, education for children, and other basic requirements. During the period 1 July 1996 to 30 June 1997, the relief board met on 55 occasions and granted \$11 million in relief. They granted full relief in 822 cases (53%); partial relief in 194 cases; and deferred 48 cases. The board granted no relief in 479 cases.

For taxpayers in arrears, ATO uses a collection model that is an extension of the receivables management benchmarking study recently completed with other countries and Australian private industry. The system uses historical information to identify distinguishing characteristics, which are then used to determine the collection action most likely to affect payment of the outstanding liability.

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TaxPack

For the past eight years, the Tax Office has issued *TaxPack*, an instruction book providing taxpayers with information to enable them to complete their income tax returns. The aim of *TaxPack* is to assist taxpayers in fulfilling their tax obligations while informing them of their rights and responsibilities.

TaxPack provides relevant tax information for salary and wage earners, small business people, pensioners, students and people with investment income. It also reminds taxpayers of the roles of tax agents and professional tax advisers. The ATO reviews *TaxPack* annually to make sure the information is current and that taxpayers are given a high level of assistance in completing their tax returns. Approximately 26% of individuals used *TaxPack* to prepare their 1996-97 income tax return. Pre-release research shows that 90% of people find it easy to use. The *TaxPack* is mailed on June 15 each year to clients who used it the previous year. *TaxPack* is available through newsagents and is produced in 10 languages.

Tax Agents

Australia has approximately 24,000 active tax agents who prepare 76.2% of all tax returns (see Table 5.1). The tax agent system is monitored by six state-based independent Tax Agent Boards which comprise one representative for each of the legal profession, the accountancy profession and the Commissioner of Taxation, with the ATO serving as Secretariat to the boards. A very stringent application and registration process requires the agent to be deemed fit and proper, to have the necessary educational background, and to have no taxation offences on record. The Tax Agent must be registered to charge a fee for tax return preparation and advice and is reregistered every three years. The high percentage of tax agent preparation can be attributed to:

- Complexity of taxation law
- Tax deductibility of fees
- Concessional lodgment program
 - Non-agent tax returns are due 31 October
 - Agent-prepared forms are due up to 15 May of the following year
- Registration of agents (acknowledged professionals)
- Refunds are processed within two weeks for agents using electronic filing (95%) as compared to six weeks for individuals filing paper.

Table 5.1. Proportion of Returns Prepared by Tax Agents

	Individual	Partnership	Trust	Company	Super-annuation	Total
Tax Agent	7,546,861	554,086	446,676	571,022	135,338	9,253,983
Self-lodged	2,841,626	12,995	10,675	20,493	4,554	2,890,343
Total	10,388,487	567,081	457,351	591,515	139,892	12,144,326
% Tax Agent	72.6	97.7	97.6	96.5	96.8	76.2

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6.0 MODES OF TAXPAYER ACCESS

The ATO INB line has been using incoming call management techniques in a virtual call centre environment since 1994. During this period counter enquiry and phone services have been co-located in 24 sites and have been integral to each other in that both share the same staff. Counter enquiry queues are managed in much the same way as phone queues. ATO has developed and implemented an in-house counter queue management system.

ATO is moving toward establishing an INB Client Service Centre (CSC) as the first point of contact for all incoming client-initiated INB interactions in the form of incoming phone calls, e-mail, correspondence, Internet, and in-person visits.

The proposed structure of the CSCs in the four regions is as follows:

- Queensland – one major site and three minor sites
- New South Wales – two major sites plus satellite sites
- Victoria/Tasmania – two major sites plus satellite sites
- Western Australia/South Australia – two major sites plus satellite sites.

CSCs would be located in existing INB sites although alignment with SBI and GST is preferable as progress is made in the implementing the Small Business Call Centres.

CSC work scope would include addressing the following types of enquiries:

- Correct lodgment – Necessity to lodge; time extensions; address changes
- Correct payment – Account balances; extension of time to pay
- Tax agent – Non-lodgment program-related
- Interpretation and Compliance – Phone and written advisings (routine)
- Datacorp – Progress of assessment.

ATO believes the CSC approach provides the opportunity to improve management and work practices. It will achieve the benefits of queue consolidation, and where appropriate, “specialisation” and streaming. The CSC will provide the scope and variety of work needed to attract good staff and maintain career paths within the centre. Management of the CSC incorporates a strategic national focus and a strong regional focus on operational and human resource management, including establishment of regional CSC directors who will be responsible for regional performance, regional support teams, and a number of team managers in each site. The direction of the CSC is to improve management and operational efficiency and effectiveness by reducing the number of small sites.

Figure A-5 summarizes ATO’s access modes that are discussed in greater detail in the following sections.

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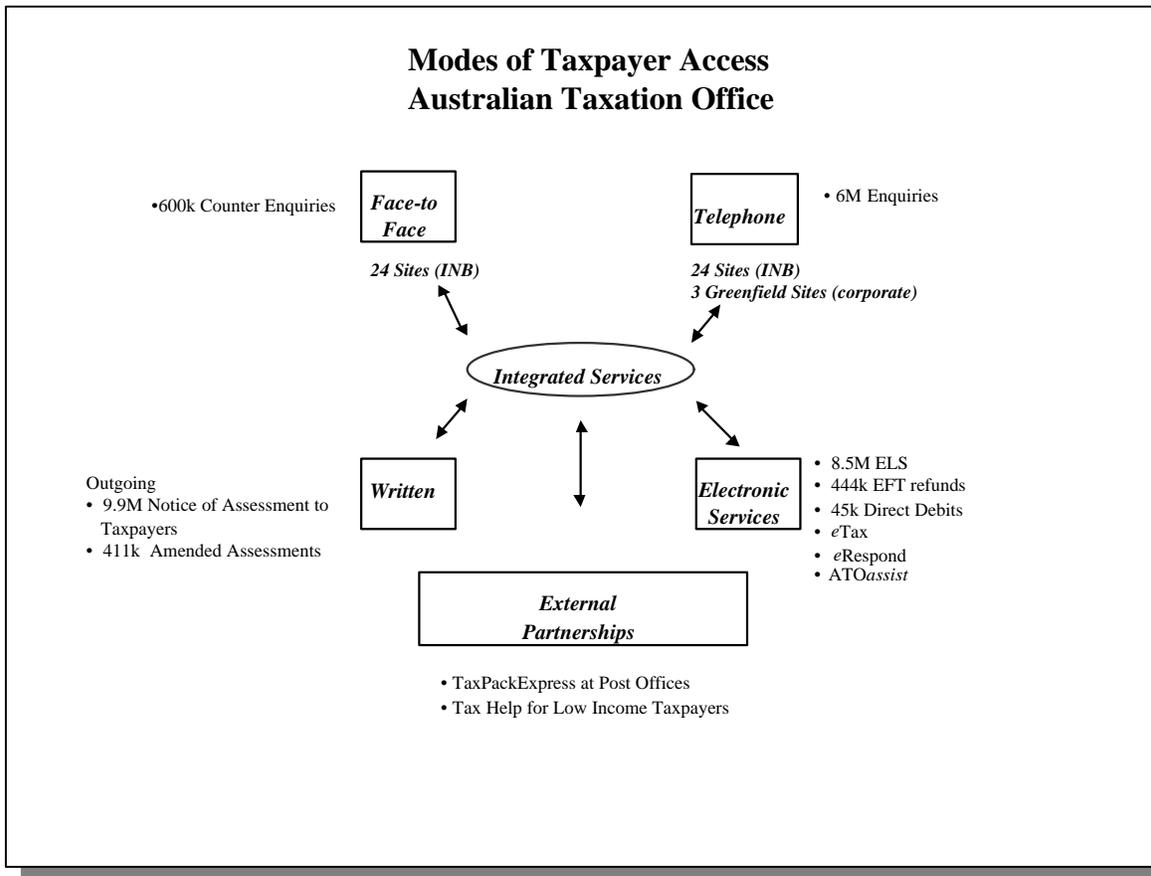


Figure A-5. Modes of Taxpayer Access, ATO

Face-to-Face

ATO currently spends approximately \$4 million (AUS) to answer 600,000 counter enquiries annually, and roughly the same amount to provide telephone service to more than 2,500,000 taxpayers. Counter service is generally available from 8:30 am to 5:00 pm.

ATO is implementing an innovative solution, branded as *ATOaccess*, to improve service and client satisfaction at reduced cost.

ATOaccess centres are designed to achieve three ends:

- Improved client service through a more relaxed physical environment, more efficient access to ATO forms
- More effective cost management by encouraging the use of self-help approaches such as brochures, the ATO web site, and ATO telephone advice service, which is faster and more convenient for the taxpayer

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- Maintenance of an ongoing shop-front presence for taxpayers, with access to appropriate officers as required.

The *ATOaccess* brand was chosen to reflect the fact that the services provided in a shop front are different than those provided in a traditional office. For example, in a traditional office, ATO officers from a number of sections could be called to the counter to talk to a taxpayer. In the *ATOaccess* centre, access to these officers is provided via a telephone link (*ATOLink*) or, if necessary, the taxpayer can make an appointment to meet with the appropriate person.

Increasingly, *ATOaccess* centres will be providing access to ATO services. The *ATOaccess* brand also has the advantage of being separate from “The Australian Taxation Office” name and more readily transportable to other initiatives as they arise, such as external partnerships. It gives the ATO the ability to provide consistent branding of its non-electronic service products.

The *ATOaccess* centres have also been used to promote the ATO web site, *ATOassist*, by featuring web-linked computers in the fronts of the shops for public use. These computers are linked to a printer, so taxpayers can carry away rulings and forms off the web site.

Payments are not accepted in *ATOaccess* centres as most taxpayers now use electronic or postal-based payment options. Clients are directed to the Billpay service provided by the Australia Post. This actually increases the number of facilities accepting payments, due to the number of Australia Post offices. Wherever possible, *ATOaccess* Centres are established in close proximity to an Australia Post office to avoid inconveniences. Through Billpay, Australians can pay bills for all types of services, such as water, cable, and electricity.

The *ATOaccess* centres are similar to a self-service retail outlet. The layout draws the client to the more efficient brochure, telephone, and Internet self-services and away from costly counter service. Employees are encouraged to come out from behind the counters to assist taxpayers looking for forms or using the computer. The centres are located in shopping malls convenient to the community but are purposely low profile. Upon entering the centre, clients are not confronted with a counter. They are steered to *ATOp rint*, a wall of well-organised shelves of forms and brochures. *ATOp rint* represents an ongoing process of improving the production and presentation of ATO forms to make them more accessible. One innovation being developed is to display printed materials according to “life event”; for example brochures dealing with employment declarations for PAYE withholding are presented under “Starting a Job.”

ATOLink phones connected to a range of specialist virtual call centres are also very conveniently located. Signs around the centre and on cards available on the counters tell taxpayers how quick and easy it is to get expert advice using the telephone. *ATOassist*

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presents taxpayers with user-friendly Internet accesses to the ATO web site. It is anticipated that clients will realize how convenient and easy it was to use the phone or the Internet and will not visit an office in the future. Clients can also deposit tax returns or other returns in a box without further assistance.

The counter in the *ATOaccess* centre is designed for a specific effect. Open on all sides, it contains several computer terminals; thus it is not readily apparent how many employees should be on duty. This reduces client frustration normally engendered when faced with obviously empty workstations. There are no queuing lines. Normally only one attendant is present unless needed; other staff members are handling telephone enquiries and other office work in the back of the office. Clients needing assistance on complex issues are directed to a telephone connected to a call centre or are offered a future appointment. Virtually all of these enquiries have been able to be resolved without the need for a face-to-face appointment.

Consulting desks for client appointments are located in full view of the back office so other staff can assist if a problem arises with an irritated client. The centre also has a private room, equipped with a glass wall and a panic button, available for audits or private consultations.

ATO currently has 24 counter sites co-located with call centres. *ATOaccess* sites will not necessarily be co-located with the CSCs in the future, but current policy is to continue with a presence in all existing ATO sites. The move to *ATOaccess* sites and the consequent removal of counter work from some CSC sites would be balanced by other work such as e-mail and correspondence. Opportunities to provide *ATOaccess* functionality in non-ATO sites, such as Centrelink (consortium of Commonwealth Government programs) offices to take advantage of wider geographic distribution will be explored. There are 401 Centrelink offices around Australia.

The centres are designed to present an atmosphere in which the taxpayer can feel relaxed and avoid a depersonalizing and antagonizing atmosphere, an unfortunate by-product of the high security layouts of the past. Security assessments have given the go-ahead to open plan arrangements, and these are being implemented with staff training on operating in an environment where security is a matter of taxpayer management. All INB employees attend training that includes a segment on handling aggressive clients in an open environment. The tax package has been revised so there are no invitations to the taxpayer to visit an office.

Written

Other than amended returns, ATO does not receive a significant volume of account-related correspondence. This may be attributed to the high percentage of returns prepared and lodged electronically by tax agents and the resolution of issues through the phone service provided.

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The ATO has focused on improving the quality and tone of correspondence sent to taxpayers and their tax agents. Two thousand standard letters were assessed with a view to minimise duplication and ensure consistent treatment of debtors. They were replaced with 50 core letters.

In the year ended 30 June 1997, ATO processed and issued 411,000 amended assessments. Of these, 92% represented mistakes made by taxpayers on their first return. Common mistakes included a missing group certificate, additional interest income, or forgetting to include deductions. ATO allows amended returns to be lodged via the Electronic Lodgment Service (ELS) from tax agents, whether or not the original return was lodged electronically, reducing the need to process amended paper returns.

Several practices reduce the need for processing written correspondence. For one, the taxpayer signs a limited power of attorney with the tax agent, granting power to receive notices, etc. The Notice of Assessment is used for return transcript purposes. Banks will also accept returns prepared by tax agents as proof of income. These practices reduce the need for the tax agency to deal with processing powers of attorney and return transcript requests. Causal analysis reviews of correspondence are also undertaken. Public rulings can then be used to reduce or eliminate the need for individual enquiries.

ATO also accepts address changes electronically through ELS. Since approximately 26% of Australians move each year, this significantly decreases the volume of misdirected correspondence, including refunds, and reduces enquiries.

Telephone

ATO call sites handle calls for three business units:

- Small Business
- Superannuation
- Individual Non-Business.

A fourth unit, GST, will be added when Parliament passes the proposed legislation.

Current state

Currently, the client dials a number billed as a local call. In the INB business line, the client has three numbers to choose from for assistance: general enquiries, the publications mailing house, and lodgment/progress of assessment enquiries. When the call enters the network, it is routed to a regional call centre. Calls may be handled in various sites or ATO offices, ranging from large sites staffed with more than 30 individuals to smaller ATO^{access} sites with a staff of six or fewer. Phone services are generally available from 8:30 am to 5:00 pm; extended hours are being piloted this year. Call handling organisation depends on the region and business unit; both virtual and physical networks exist supported by intelligent call routers. In the Small Business line, a

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location may have one or more teams to handle new clients, targeted enforcement, collections support, and complaints.

To support call centre best practices in forecasting and scheduling, ATO has trained managers and team leaders in the basic principles of queuing theory. The Erlang C formula is used to determine the resources needed to handle predicted workload in specific performance standards for every half-hour. Enquiries rosters are prepared on a half-hour basis. The approach to staffing telephone and counter enquiries is balanced. There is national consistency in reporting call patterns and results. An increasing emphasis on quality has occurred with the implementation of national procedures and coaching. Causal analysis to determine why clients telephone has been in place for two years and is being further developed. INB's strategic direction is to identify and eliminate the upstream 'triggers' which cause clients to call the office.

The number of current locations and call volumes by business unit is displayed in Table A-2.

Table A-2. Call Centre Statistics by Business Unit

Business Unit	Locations	Annual Call Volume
Small Business	24	1.3 million
Superannuation	5	590,000
INB	24	6.0 million

Table A-3 displays the service level targets established for two of the business units.

Table A-3. Service Level Targets by Business Unit

Service Level Target	SB	INB
Busy tone instances	< 1%	< 1%
80% of calls answered within	30 seconds	No target
90% of calls answered within	120 seconds	120 seconds
Average talk time	210 seconds	180 seconds*
Average after call work time	90 seconds	15 seconds*

* Not official targets

An additional target for all business units is less than 5% caller abandonment of a queue before the call is answered by an agent.

Future Directions

A review of call handling in the ATO is currently underway. A Request for Tender (RFT) for an ATO call handling solution, including a technology platform, was released in January 1999 and two corporate (Small Business) call centres utilising the new technologies are planned to open in May and November 1999. In conjunction with the review, INB is also reviewing its call-handling arrangements. The purpose of these

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reviews is to improve ATO call-handling efficiency. ATO is exploring the concept of Client Service Centres, which could include phone services and correspondence (paper and electronic). The approach would see consolidation of virtual sites into fewer sites.

Major Issues

Some of the major issues relative to call handling are:

- The continuing debate about physical versus virtual call centres
- The relationship of call centres to the other parts of INB and ATO
- The relationship with corporate call centres
- The need for corporate standards for all corporate client call centres
- Recruitment of suitable staff
- Corporate strategy regarding *ATOaccess* sites.

Improvements to real time monitoring and rapid responses to unexpected call loads are needed. A major improvement area is technology that could improve community access as well as reduce resources needed for certain types of calls such as interactive voice response (IVR) and recorded answers for progress of return calls and other standard calls. There is a need to explore scripting and decision support tools to increase the technical quality of responses. Extended hours of operation need to be investigated, although to be economically feasible this should be linked to the introduction of new technology such as IVR and computer-assisted responses rather than involving enquiries operators.

Electronic Services

Electronic Lodgment Service

The most widely used electronic mode of access in ATO is submission of tax returns via the ELS. Approximately 70% of individual returns (roughly 7 million) and 90% of business and other returns (roughly 1.5 million) are lodged electronically (see Figure A-6). This is among the highest, if not the highest, percentage of electronic returns in the world. Electronic returns can only be lodged by registered tax agents. About 13,600 of the 23,000 registered agents use ELS, accounting for over 93% of tax agent lodgments. Currently, input to the system is mainly via transmission over the Austpac network, which consists of four gateways. An additional 3,500 agents submit lodgments into the ELS via floppy disk. ATO has a performance standard stating that 97% of returns filed via ELS will be processed within 14 days, compared with 8 weeks for paper submissions. This standard was met for the 1998 processing year. The only paper necessary is a single-sheet declaration signed and maintained by the taxpayer.

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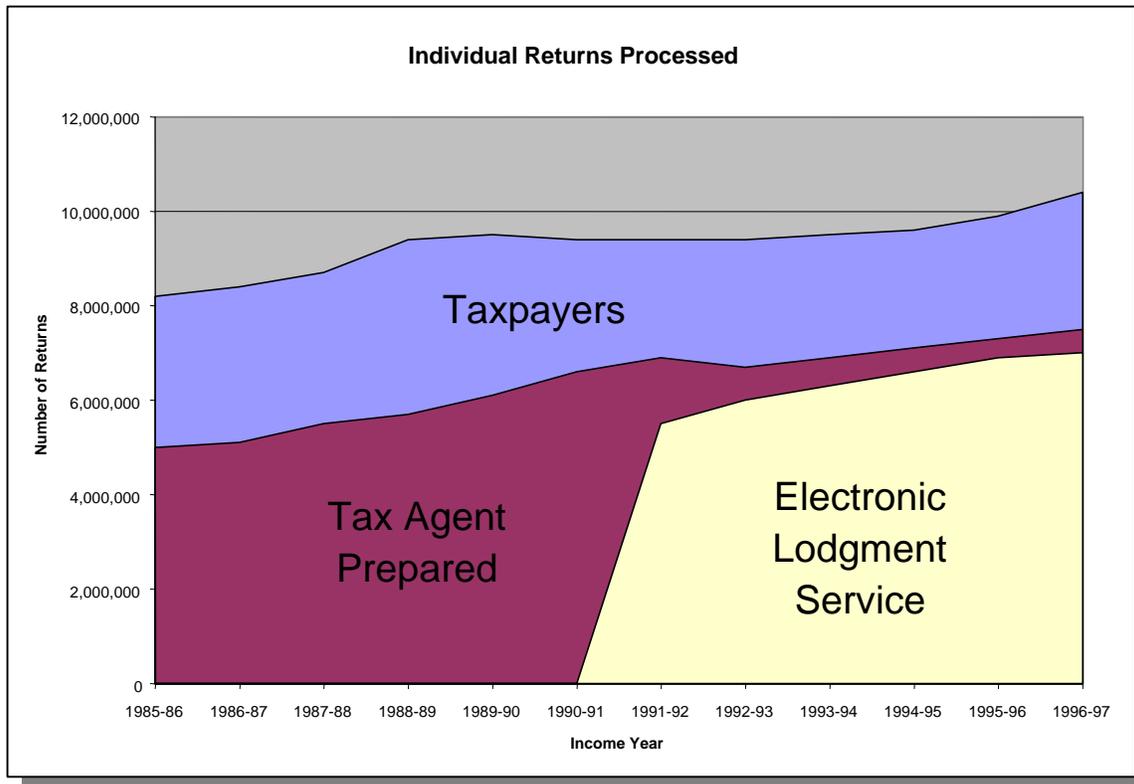


Figure A-6. Trends in Individual Returns Electronic Filing

As ELS users become more Internet enabled, the Internet will become the preferred method of input to the system and will be the ATO's major electronic service delivery platform of the future. Some limited transactions are currently available to business clients, such as registrations and client register updates via the Internet. Transactions to be offered in the near future will include quarterly payment and return details, and annual return lodgment. The use of magnetic media for data transfer will decrease accordingly.

e-tax

A new pilot program called *e-tax* is aimed at the 2 to 3 million individuals who prepare their own returns. *e-tax* is an electronic preparation and lodgment software package, developed by a software developer in partnership with ATO, which users will download to their personal computer over the Internet and use to:

- Complete their tax return
- Digitally sign and encrypt their return
- Lodge their return directly to ATO over the Internet.

This new service will not require the intervention of a registered tax agent. Similar to other commercially available packages, the software will prepare the return based on answers to on-screen interview questions. A number of built-in help features, worksheets

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and calculations should reduce the need for taxpayers to contact the ATO's general enquiry service. Built-in data validation and edit checks will ensure that the data transmitted is error free, reducing the need for intervention. Public key encryption technology provides security, authentication, non-repudiation and integrity. The system will support any return lodged by an individual and the software can be used to lodge multiple returns from a household; each client must obtain his or her own password. *e-tax* has successfully completed Stage 1 pilot testing, in which a small number of returns were lodged. Stage 2 is will test the process on a larger scale starting in June 1999.

***e*Respond**

ATO realizes that e-mail is gaining in popularity as an efficient and effective mode of commercial communication. A survey of taxpayers using Internet web sites indicated overwhelming support for the use of e-mail to administer ATO enquiries (it must be noted, however, that this sample of taxpayers self-selected as "e-mail-positive" simply by the fact that they were visiting the web site).

ATO has designed and built an e-mail enquiry response system called *e*Respond, allowing ATO staff to compose e-mail responses using a database of answers to commonly asked questions. Additional text can be added to ensure that taxpayer questions are answered thoroughly.

The *e*Respond system has several advantages over a "generic" e-mail system designed for private sector commerce.

- It provides a quick response using a database of frequently asked questions and answers
- It provides an audit trail
- It supports a single, national e-mail point of contact
- It provides consistent accurate answers to the same question.

National implementation of *e*Respond commenced on 1 February 1999. This enables any area within the ATO to implement *e*Respond to answer external e-mail enquiries. The e-mail can either be in freeform text, sent from a client's e-mail application, or in a structured format sent via the Internet site webform. The origin of the e-mail is not limited and e-mail has already come from students studying overseas. *e*Respond permits the taxpayer submitting the question to elect response by e-mail or telephone, eliminating a problem if the taxpayer's e-mail address happens to be accessible only from work. Experienced client service officers can prepare a response in about two minutes and the majority of e-mails are answered within 48 hours.

When a response is issued via e-mail, the original question and the reply, including related times and dates, are archived into the database. When a response is made by phone, the replying officer records the response, which is then archived (this includes

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details of any failed attempts to phone the client). Archived responses can be accessed later if the client submits a follow-up question.

ATOassist

ATO has a web-site called *ATOassist*, which is featured in the *ATOaccess* sites, for public use. The computers are linked to a printer so clients can access rulings and forms from the web site and print them. *ATOassist* is heavily promoted to tax agents, featuring a specific area for agents, and also provides access to *ATOlaws*, the ATO's legal database. *ATOassist* is being expanded to include new intelligent web applications to enable clients to receive answers to their taxation queries by responding to a series of questions. The system then determines an appropriate solution based on a series of business rules or sends the query to the appropriate officer within the ATO for further processing. Eventually *ATOassist* will evolve into a multimedia communication centre, able to deliver voice calls, text chat, e-mail and callback capabilities through the Internet and high-tech video calling via video-enabled PCs. The address of the site is www.ato.gov.au.

Business Entry Point (BEP)

The Business Entry Point (BEP) is an Internet-based initiative developed in conjunction with the Department of Workplace and Small Business Relations, Australian Securities, and AusIndustry. It enables businesses to register for sales tax, pay-as-you-earn PAYE), the prescribed payments system, and business tax file numbers over the Internet. The service streamlines communication between businesses and all levels of government, and reduces compliance costs and paperwork. It will improve existing client services by providing another avenue for access, but will not supersede existing methods of registration. BEP is at www.business.gov.au.

EFT-DDDR

INB administers and maintains the electronic funds transfer-direct debit direct refund (EFT-DDDR) system for ATO. This system allows individual taxpayers to have refunds deposited directly to their account. It also allows taxpayers to pay a taxation liability directly from their nominated account. This is a faster and more efficient method of receiving a refund and complying with taxation obligations. In 1996-97, 443,704 taxpayers received \$414 million (AUS) in refunds through the EFT-DDDR system. In 1997-98, there were 45,432 direct debit transactions totaling \$604.3 million (AUS), compared to 1996-97 usage of 42,538 transactions worth \$446 million.

Online Legal Database

ATOlaws is a set compilation of tax laws, rules and regulations which has been gathered in a database to support the work of ATO staff. The database includes:

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- Booklets, fact sheets, bulletins and other general publications produced by the ATO
- Government legislation, tax-related court cases, tax ruling and determinations
- List of organisations to which tax deductible donations can be made.

Access to *ATOlaw* is now available to external users via the ATO home page.

External Partnerships

Another electronic lodging option is TaxPackExpress, available at branches of Australia Post Office or at the office of a participating registered tax agent. The client prepares their return, pays a fee (currently \$20 AUS), for which the return is keyed by Australia Post, transmitted to the ELS system and the taxpayer receives their refund within two weeks for most returns.

Tax Help is a free and confidential service for people on a low income. Volunteers are trained by the Tax Office to explain tax obligations and assist people in preparing their tax returns. Tax Help centres are located throughout the metropolitan areas of each region and in many rural areas, staffed by 1,486 volunteers who help prepare more than 45,000 returns and advise more than 10,000 people on queries relating to their lodgment obligations.

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7.0 IMPROVEMENT INITIATIVES SUMMARY

Figure A-7 identifies specific initiatives, programs, or activities undertaken by ATO, which are described in the sections above, to continually improve its services to the taxpayers and to the national government. A short description of each initiative can be found in Chapter 2 of the main report.

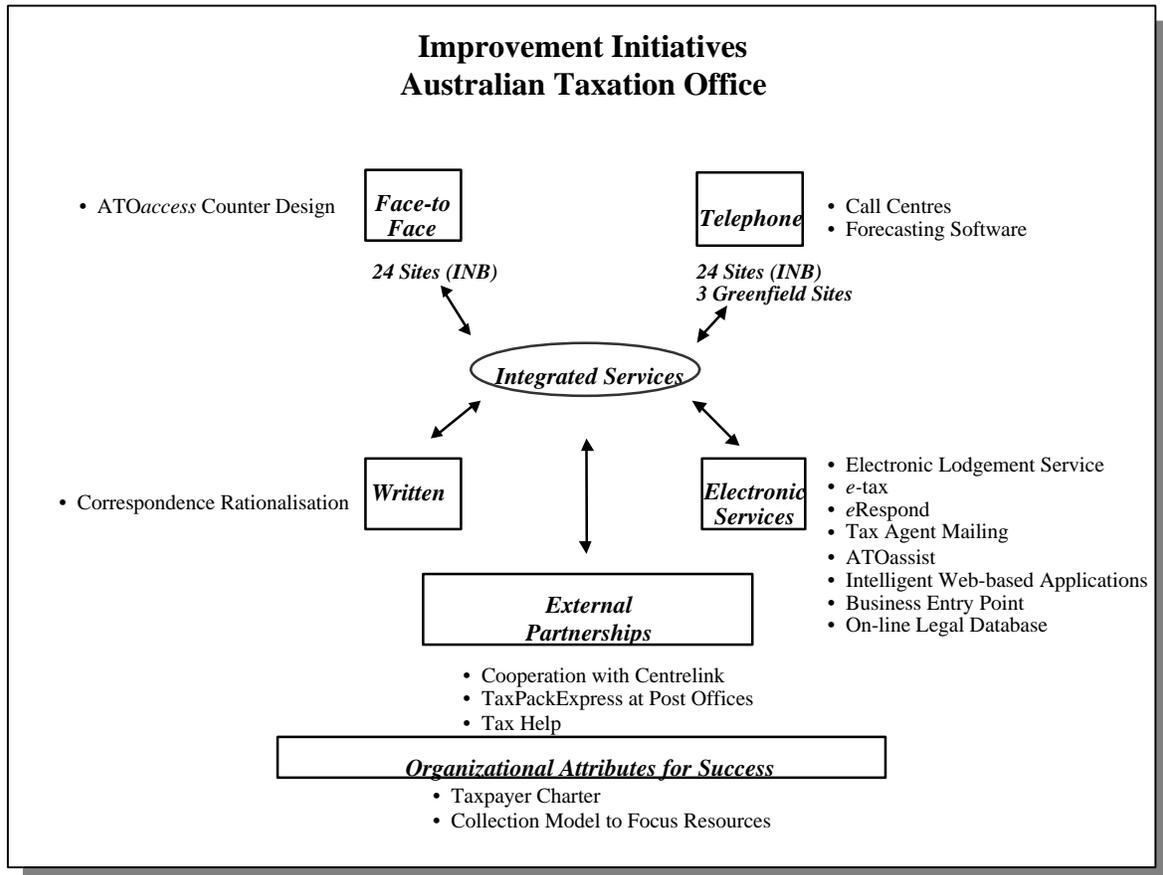


Figure A-7. ATO Improvement Initiatives



PATA Benchmarking Study Report

Canada Revenue Canada

October 1999

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1.0 MISSION, VISION AND MANAGEMENT APPROACH

Mission

Revenue Canada's mission is to promote compliance with Canada's tax, trade and border legislation and regulations through education, quality service and responsible enforcement, thereby contributing to the economic and social well-being of Canadians.

Vision

The vision statement provides a description of the organisational characteristics that Revenue Canada aspires to achieve. Its vision is supported through long-term strategic goals that are relatively stable with a long-term horizon, and they reflect the mission-critical areas that will guide the achievement of this desired future state.

Vision statement: Revenue Canada will be recognized and respected by clients for its integrity, fairness and innovation in administering high-quality, yet affordable programs. Its progressive stance will encourage new inter-governmental and international partnerships fostering greater government efficiency and a stronger economic union.

Core Values

Revenue Canada's values include integrity, professionalism, respect, and cooperation, outlined as follows:

- **Integrity** is the cornerstone of our administration. This means treating people fairly and applying the law fairly. Integrity requires that we act with honesty and openness.
- **Professionalism** is the key to success in achieving our mission. This means we are committed to the highest standards of achievement. Professionalism requires that we act with dedication and skill.
- **Respect** is the basis of our dealings with colleagues and clients. This means being sensitive and responsive to the rights of individuals. Respect requires that we act with courtesy and consideration at all times.
- **Cooperation** is the foundation for meeting the challenges of the future. This means building partnerships and working together toward common goals. Cooperation requires that we act with leadership and innovation.

Background

The Department was consolidated during the early 1990's from the formerly separate Departments of Taxation, Customs, and Excise. Revenue Canada administers the Income Tax Act, the Customs Tariff Act, the Customs Act, the Excise Tax Act, and the Special Import Measures Act.

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Canada Customs and Revenue Agency (CCRA): Legislation was recently passed to create a new agency, the *Canada Customs and Revenue Agency*, effective November 1, 1999. This will be an evolutionary step towards further integrating provincial/territorial and federal revenue administration. New and improved services, particularly single tax collection arrangements with the provinces and territories, will benefit clients and decrease the cost of compliance. As well, creation of the Agency will provide an opportunity to significantly reduce administrative duplication, resulting in significant savings to provinces and territories and reducing the cost of governance.

The structure of the CCRA will also foster a better working relationship between the two levels of government. The agency will be run by a Board of Management (reporting to the Minister of National Revenue) to which provinces and territories will nominate members. A president, nominated by the federal government following consultation with the Board, will be its chief executive officer.

Revenue Canada carries out its mandate through four business lines: revenue generation, customs border services, income redistribution, and trade administration. Revenue Canada is responsible for the following:

- Revenue generation: the appropriate assessment and collection of taxes, duties and levies. This includes federal income tax, personal income tax on behalf of all provinces and territories (except Quebec); corporate income tax on behalf of all provinces except Alberta, Ontario, and Quebec; the Goods and Services Tax and Harmonized Sales Tax (GST/HST) credit, in all provinces except Quebec; commodity taxes; excise duties and import duties; provincial sales, alcohol and tobacco taxes at the border on behalf of certain provinces; various customs fees; employee and employer Canada Pension Plan contributions; and Employment Insurance premiums.
- Customs border services: a full range of services at Canada's international borders, including processing commercial goods and travelers and monitoring and controlling importation of firearms, drugs, and other controlled and restricted goods; preventing the entry of prohibited materials and inadmissible persons; inspecting, on behalf of federal and provincial agencies, goods and conveyances entering Canada; and verifying compliance with international trade agreements.
- Income redistribution: delivery of a number of social and economic benefits on behalf of the Canadian government through the tax system such as Goods and Services Tax credits, Child Tax Benefits, and other programs.
- Trade administration: administration of multilateral and bilateral international agreements, such as the North American Free Trade Agreement and conventions of the World Trade Organization, domestic trade policy agreements, and duties relief programs.

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Revenue Canada also collects provincial sales tax, tobacco taxes, liquor markups, and levies on non-commercial imports for provinces with such agreements with the federal government.

Revenue Canada operates on a three-year planning cycle. Recently the Departmental Management Committee approved an integrated planning process designed to produce a single corporate business plan. The planning process and plan design satisfy both senior management's desire for "One Plan - One Process," and the planning and reporting requirements under the enabling legislation for the upcoming Canada Customs and Revenue Agency. Revenue Canada has selected six strategic goals that are key to their continued success in revenue administration:

1. Delivery of quality services and client education
2. Responsible enforcement and border protection
3. Fair administration
4. Simple and efficient processes
5. Skilled and knowledgeable people
6. Effective and responsive corporate support.

These six goals are further classified into key issues representing the most critical challenges and opportunities expected to emerge in Revenue Canada's operating environment over the next three years.

Fairness Initiative

Treating citizens in a fair and equitable manner is an essential element of Revenue Canada's strategy. Already considered a world leader in this area, Revenue Canada is implementing a new Fairness Initiative. It consists of a seven-point plan to achieve greater fairness, to be implemented during the course of 1999. The seven points are as follows:

1. We will develop a comprehensive guide on the rights of our clients.
2. We will publish standards for the service we provide.
3. We will do a better job communicating with our clients.
4. We will better equip our employees to respond to client needs.
5. We will identify credits, benefits, and overpayments for clients.
6. We will provide clients an opportunity to correct any omissions in their past dealings with us without penalty.
7. We will do a better job applying the provisions related to fairness in the laws we administer.

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2.0 ORGANISATION AND STAFFING

Revenue Canada has approximately 40,000 employees (more during filing season). Figure B-1 provides the Revenue Canada organisation chart. Clients can get information, pick up publications, make payments, get forms, and conduct other types of business at most Revenue Canada offices across Canada.

Minister of National Revenue

The Department reports to Parliament through the Minister of National Revenue, the political head of Revenue Canada.

The organisation of Revenue Canada is divided into a national structure and a regional structure. The national structure consists of:

- The Deputy Minister's Office
- Six corporate branches and five program branches at Headquarters
- Six regions.

Deputy Minister

The Deputy Minister, situated in Ottawa, is the administrative head of Revenue Canada. The Deputy Minister chairs a Department Management Committee that is made up of the senior managers from the regions and headquarters. This Department Management Committee works as a team to ensure decisions on issues critical to department operation are taken and the appropriate actions are implemented.

Corporate Services Branches

The six corporate services branches at headquarters, each headed by an Assistant Deputy Minister or Branch Head, support the Revenue Canada field offices and staff. They are the Communications Branch, the Finance and Administration Branch, the Human Resources Branch, the Information Technology Branch, the Corporate Affairs Branch, and the Legal Services Branch.

Program Development Branches

Four headquarters branches are responsible for developing policy, programs and procedures, and providing functional guidance and direction. These are the Policy and Legislation Branch; the Assessment and Collections Branch; the Verification, Enforcement and Compliance Research Branch; and the Appeals Branch. The Assessment and Collections Branch handles most customer service-related functions, such as client assistance, registration, assessment, accounting, collection, the Child Tax Benefit program and the Goods and Services Tax Credit program.

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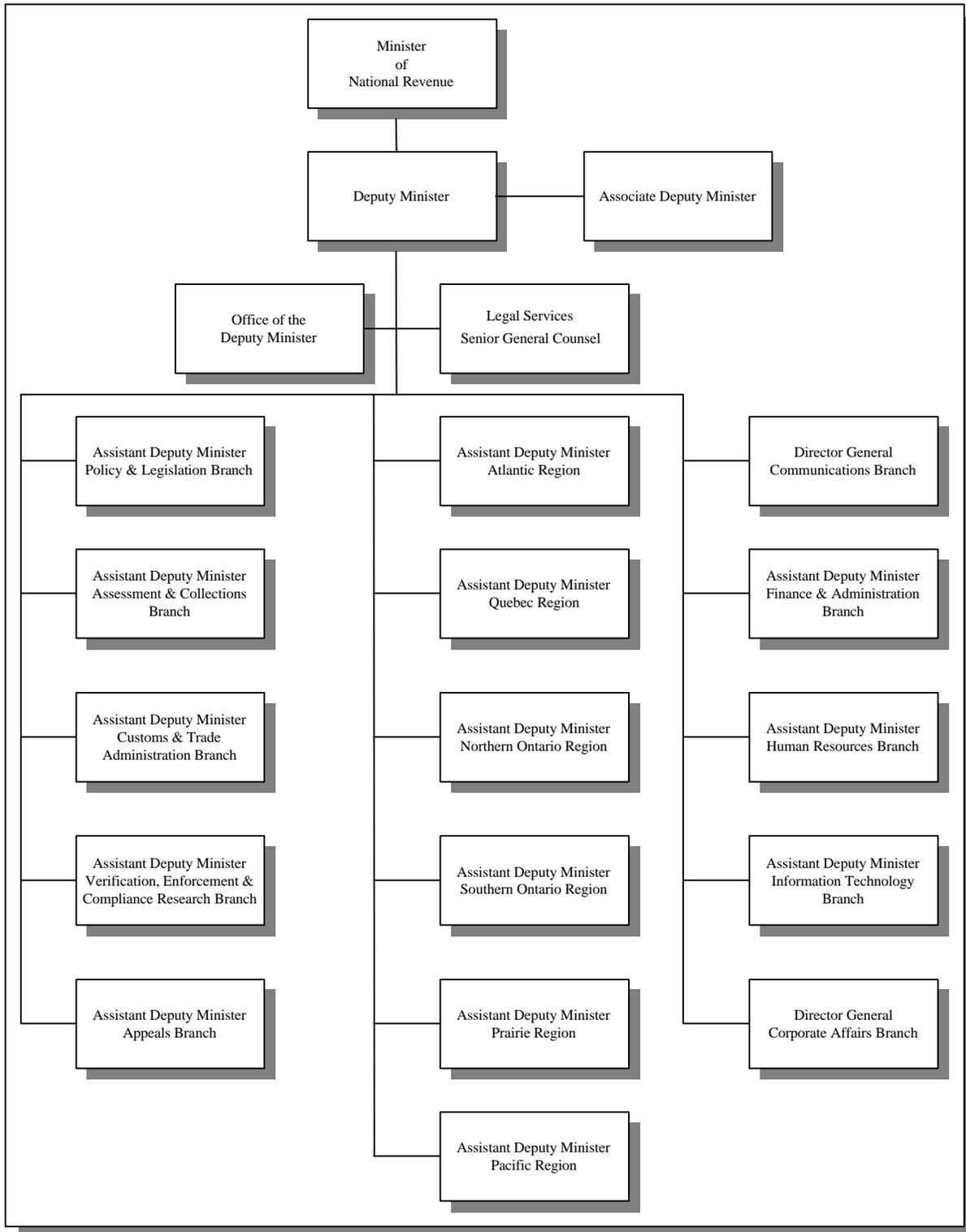


Figure B-1. Revenue Canada Organisation

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Regions

Revenue Canada has seven regions: Atlantic, Quebec, Southern Ontario, Northern Ontario, Prairie, Nunavut, and Pacific, each headed by an Assistant Deputy Minister (ADM). The Regional ADMs are responsible for all field operations and offices within that region and for ensuring that levels of client service, compliance, and enforcement are consistent with the departmental mission. Regions consist of:

- The Regional Office, which promotes effective regional operations through leadership and support to local offices
- Tax Services Offices, which serve the public
- Tax Centres*, which receive and process individual and corporate income and other returns
- Call Centres, which answer client enquires
- Customs Border Services, which provides front-line border services at various land borders, seaports and inland sites across Canada
- Trade Administration Services, which is responsible for international agreements such as the North American Free Trade Agreement and conventions of the World Trade Organization, the domestic trade policy agreement, and the duties relief program.

*The returns processed at a given Tax Centre are not necessarily drawn from the population in that Region.

There are over 40 Tax Services Offices (TSOs) located across Canada. TSOs provide information on the filing and status of income tax, and Goods and Services Tax returns, and refunds; explain assessment notices; answer tax questions; and handle Goods and Services Tax Credit and Canada Child Tax Benefit enquiries. The TSOs handle telephone enquiries and offer counter services to clients in both of Canada's official languages. Business windows, located in most TSOs, are the initial points of contact for business clients. This special one-stop service allows clients to get a Business Number and register for any of the four main business programs: Goods and Services Tax, payroll deductions, corporate income tax, or import/export.

There are four call centres, located in Montreal, Toronto, and Vancouver, and the National 1-800 Overflow Call Centre in Ottawa. These call centres handle telephone calls related to general enquiries or enquiries related to the Goods and Services Tax Credit or Canada Child Tax Benefit, that would otherwise be channeled into a TSO.

There are eight Tax Centres (TCs) which receive and process individual, business, corporate, and other returns. The TCs are located across the country, as follows: Surrey, British Columbia; Winnipeg, Manitoba; Ottawa, Ontario; Sudbury, Ontario; Shawinigan, Quebec; Jonquiere, Quebec; St. John's, Newfoundland; and Summerside, Prince Edward Island.

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3.0 CLIENTS AND CUSTOMER SERVICE DEMOGRAPHICS

Canada covers 9.9 million square kilometers and has a population of 29.6 million. It has one of the lowest population densities in the world at 3.0 residents per square kilometers. To serve these taxpayers over the extremely large land mass, Revenue Canada is apportioned into six operational regions (see Figure B-2).

Revenue Canada handles approximately 22 million individual and over 1 million corporate income taxpayers as well as over 2 million taxpayers registered for the Goods and Service Tax program. In addition, the large border with the United States facilitates a huge volume of cross border traffic (110 million travelers in 1996-1997) requiring a special focus on border services.

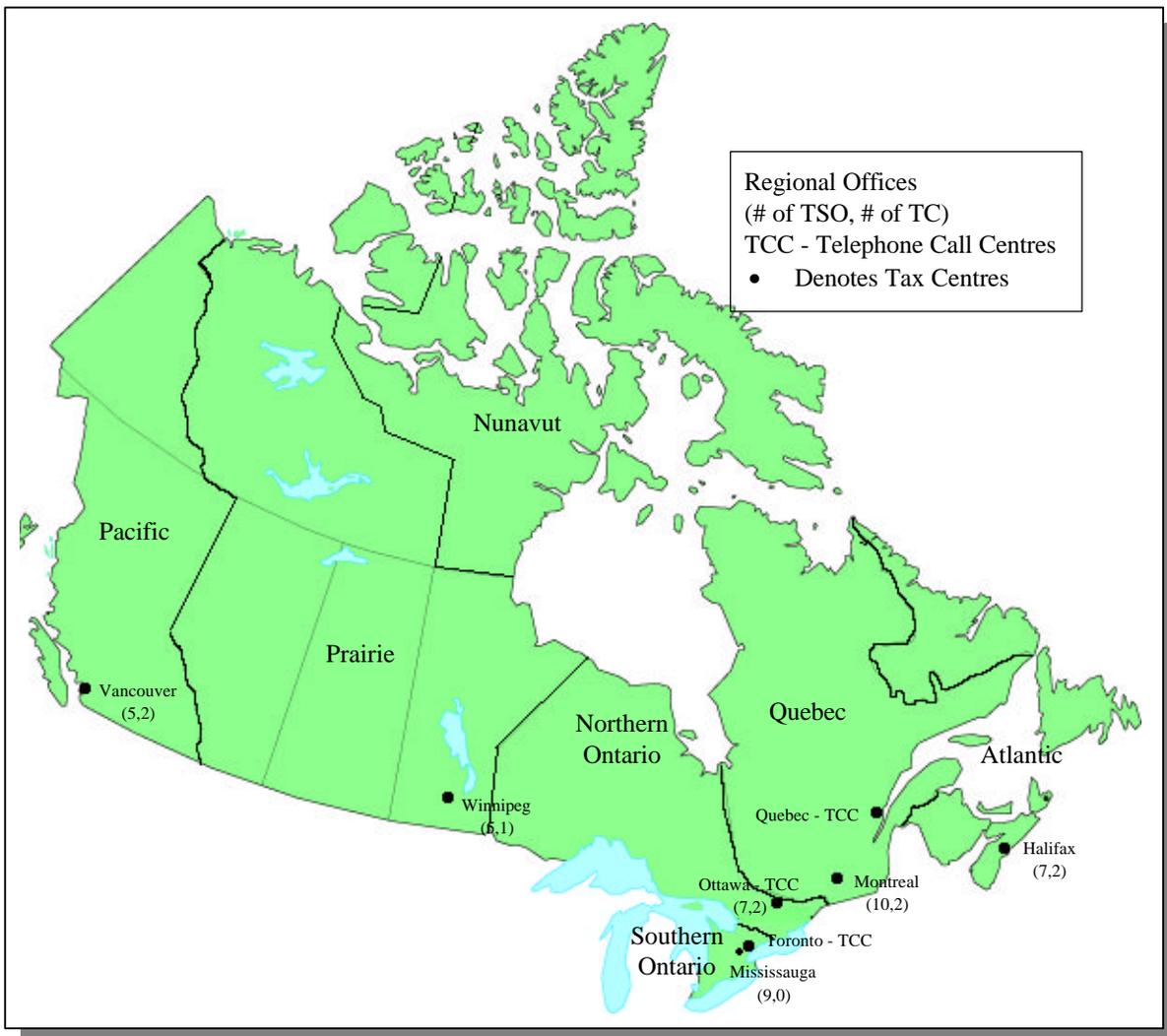


Figure B-2. Canada - Revenue Canada Regions and Offices

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Computers and information technology play a large role in Canadian society as well as in revenue administration. Over half of all 1997-1998 returns were prepared by computer. Tax preparers are also fairly prevalent, and prepared 3.8 million returns in 1997-1998, slightly less than 20% of the total.

Revenue Canada is also assessing the literacy levels of their clients based on the results of the International Adult Literacy Survey (see Literacy Study in Chapter 5.0).

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4.0 POLITICAL AND CULTURAL INFLUENCES

Canada has two official languages, French and English. Revenue Canada must support taxpayers in both, and all forms and publications must be produced in both French and English.

Canada also has a large immigrant population (almost 17% of the population), that offers both challenges and unique opportunities. Revenue Canada works actively with local ethnic organisations to provide information and assist new Canadians in understanding their tax obligations. Revenue Canada has built positive relationships with these organisations and provides income tax assistance during the filing season as part of the Community Volunteer Income Tax Program.

The establishment of a new territory offers another challenge for Revenue Canada. Nunavut, created from the Northwest Territory on April 1, 1999, encompasses nearly one-fifth of Canada's land mass, although it has only 23,000 inhabitants. Four languages are spoken there: English, French, Inuktitut, and Inuinnaqtun.

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5.0 TAX ADMINISTRATION ENVIRONMENT

Although Revenue Canada is responsible for administering tax legislation, a separate department, the Department of Finance, is responsible for developing tax policy and for the wording of the legislation.

Canada's system of taxation is based on the principle of self-assessment. Under this system, Canadian tax filers are responsible to determine and remit the amount of taxes payable when required. For individuals, taxes are assessed on a calendar year basis. Individuals are required to file by April 30, except for self-employed individuals and their spouses, who must file by June 15. All taxes must be paid by April 30 regardless of filing date. Corporations and other returns have various filing and payment deadlines depending on their fiscal year ends.

Employers act as agents for the Government, and must withhold required amounts from an employee's pay, and remit and report the required amounts to Revenue Canada. Canada does not have joint returns. In 1997, over 21 million individual returns were filed, which represents approximately 70% of all residents.

Revenue Canada's taxpayer identification system is based on the use of a Social Insurance Number (SIN) provided by Human Resources Development of Canada as the taxpayer identification number. SINs are nine-digit numbers and can be applied for at Human Resource Centres of Canada. Businesses (sole proprietors, partnerships, corporations) conducting business with Revenue Canada have a Business Number (BN) which is used for the four major Revenue Canada business accounts:

- Corporate income tax
- Import/export
- Payroll deductions
- Goods and Services Tax/Harmonized Sales Tax (GST/HST).

The BN has 15 digits, and is divided into two parts: a nine digit registration number to identify the business; and a two letter and four digit account identifier to identify the type of business program account.

Figure B-3 summarizes the interactions between Revenue Canada and the taxpayers in the tax filing process.

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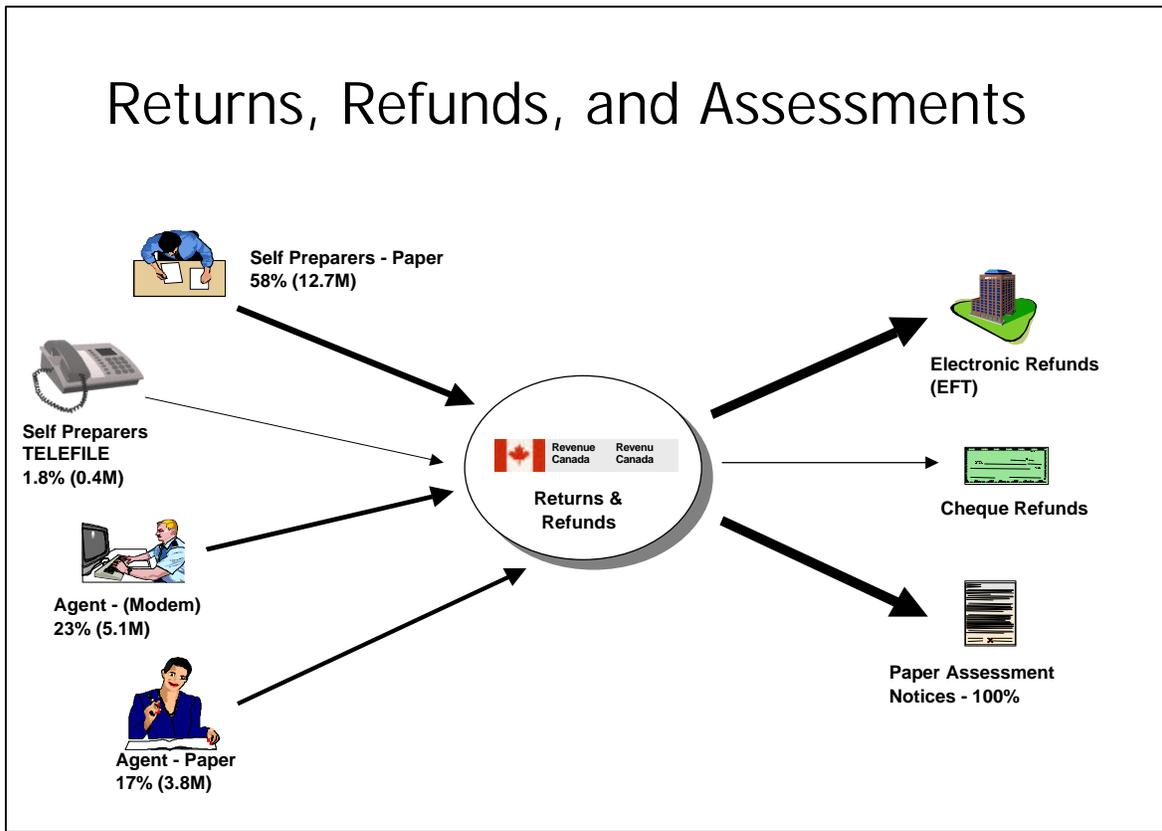


Figure B-3. Returns, Refunds, and Assessments

Revenue Canada is also responsible for administering some non-tax functions. Some of the major programs are:

- Family Order Assistance and Agreement Act (social benefit programs)
- Other Crown Debts via Refund Set-Offs
- Home Buyers' Plan
- Goods and Services Tax Credits
- Scientific Research and Experimental Development Tax Credits.

Tax Filing Packages

To simplify income tax filing for clients, Revenue Canada has developed packages to meet the needs of various client groups that take into account an individual's tax situation based on his or her filing history. These have allowed Revenue Canada to greatly reduce paper consumption, as these packages are not stocked but are mailed to designated taxpayers. This also saves on stocking fees paid to the Post Office.

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Revenue Canada has one general individual tax filing package (T1). These are available from postal outlets and Tax Services Offices. All forms and guides are also available on the Internet (www.rec.gc.ca).

Most individuals receive their personalized filing package in early January. Packages contain a return, guide, return envelope, identification label, and various information sheets. Some publications are also available in alternative formats: Braille, large print, audio cassette, and computer diskette. Returns for seniors are printed in a large type face. Table B-1 shows the variety of tax packages sent to clients for the 1996 tax year.

Table B-1. Tax Packages Mailed in 1996

Return Type	No. of Packages Mailed (millions)
General (T1)	3.0
Special	4.0
TIS-A (seniors)*	1.3
TIS-B (wage-earners)*	2.7
TIS-C (GST/HST credit and/or CTB payments)*	0.8
Tax preparer labels	8.0

*Simplified package

Each December, Revenue Canada provides all employers with T4 information returns. All employers are required to provide to their employees by the end of February each year, a T4 slip reporting the previous year's income and deductions. A copy of the T4 slip and a summary must be provided to Revenue Canada. As well, information slips issued by financial institutions to report investment income must be reported by that date.

To reduce costs and paper burden for businesses, employers and other government agents can file the Department's copy of the information slips electronically, and employers can obtain electronic copies of the tax deduction tables.

Literacy Study

To develop better communications with clients, Revenue Canada has recently utilised the results of the findings from the first International Adult Literacy Study. The study found that approximately one out of five Canadians have very low literacy skills (but better than most other industrialized countries surveyed) and that almost half of all Canadians would have difficulty using many of the printed materials produced by major institutions and government departments. These people can be found in all demographic groups and involve all business lines of Revenue Canada. In addition, a large number of low-literacy seniors have special assistance needs.

Following up on the study, Statistics Canada did a complexity assessment of Revenue Canada products and found that in many cases the literacy level required to understand them was higher than the literacy level of the target population, based on the literacy study results. Revenue Canada has determined that there is a direct link between the complexity of printed

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materials, client literacy levels, and the volume of enquiries. It has also determined that its own staff is not exempt from literacy problems. Some actions it has taken to assist both clients and employees include:

- National Literacy Awareness Campaign, including literacy presentations and a Literacy Sensitivity Workshop
- Expansion of the Community Volunteer Tax Program (including partnership with literacy organisations)
- Initiation of projects to review codes of T1 notices and to develop a systematic readability review of publications, forms and scripts
- Automation of a test for writing proficiency for staff
- Writing skills training courses.

6.0 MODES OF TAXPAYER ACCESS

Client services are provided at more than 40 Tax Services Offices, and 8 Tax Centres, 33 Customs Border Service Offices, and 11 Trade Administration Offices. Revenue Canada believes that service is key to maintaining public support for an open, accessible, and fair revenue administration and integral to improving voluntary compliance. Emphasis has been placed on service windows that can provide seamless client service across all business lines.

Corporate objectives stress the need for improved service delivery. A major theme is the increased use of electronic service delivery and integration of the different modes of access to achieve process improvements. Additional electronic service options will be designed to reflect the way clients conduct their affairs. Compliance risks associated with increased use of electronic commerce must also be identified. Meanwhile, a safety net of traditional access modes must be maintained for clients who cannot or do not wish to make use of electronic service options. Figure B-4 displays different access modes utilised by Revenue Canada. They are described in the following sections.

Face-to-Face

Revenue Canada responded to 1.9 million counter enquiries in 1996-1997. Tax Services Offices across the country support walk-in service, providing information and assistance on specific tax-related issues as well as outreach programs and special client services. For example, in the Ottawa office a separate area for distribution of tax forms exists on the ground level as well as a mailbox to accept tax returns. Special Business Windows are located in most offices throughout the country and self-help Business Registration Workstations have been implemented.

Collection personnel are available to staff the counter when needed. Some Tax Services Offices use the queue-management system to help manage client counter traffic. It records client volumes and wait-times.

Government of Canada InfoCentres and the Canada Business Service Centres offer some additional information and services within Tax Services Offices. Separate interview rooms are available for use by Collections, Verification, or Client Services. Each room is equipped with a computer terminal and a panic button to summon aid if necessary. There is a separate area for payments.

A Client Service Rating Card was developed in the early 1990's and provides feedback to managers at all levels on the quality of counter service delivery, thereby allowing local management to act on opportunities to improve service. The cards are available in all TSOs, TCs, and 36 customs offices.

A national 20-minute counter wait-time standard for taxpayers seeking face-to-face assistance was established in 1997. The most recent semi-annual report shows that 86% of

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all Revenue Canada offices are meeting the 20-minute standard for face-to-face assistance and Business Window service.

The Public Enquiries Information Bank (PEIB) is an electronic system used by both counter and telephone staff to answer enquiries. It provides general tax information (e.g., directives, circulars) in electronic format. Client service representatives use the system to enter alerts received from taxpayers, identify relevant news stories that may generate calls, and provide local information.

Departmental officials are available to visit new employers on their own premises on request (New Employer Visit Program). This service allows new employers to discuss concerns they may have about recording, withholding, or reporting requirements for employee earnings, taxes, the Canada Pension Plan, or Employment Insurance contributions. Advice on GST/HST filing requirements and other topics is also provided.

Small Business Information Seminars (SBIS) are intended for individuals who are thinking about starting a business or who have recently started one. SBIS provides basic information on selected topics in separate modules. These modules include: GST, customs basics, government services, and income tax. The information covers a wide range of business situations.

Written

Revenue Canada receives many types of written enquiries. These include:

- Four thousand letters addressed to the Minister
- Over 2 million pieces of correspondence involving taxpayer requested adjustments
- Referrals from Appeals and Audit
- General correspondence, including requests for explanations of changes made on assessments or reassessments.

The Taxpayer Requested (TPR) adjustment system was developed with several objectives:

- Improve client service
 - Faster turnaround times
 - Eliminate second requests.
- Improve operational efficiencies
 - Reduce manual actions or interventions
 - Track “work in progress”
 - Reduce processing peak pressures
 - Reduce costs by reducing staff
 - Implement a statistics package for monitoring volume, type, etc.

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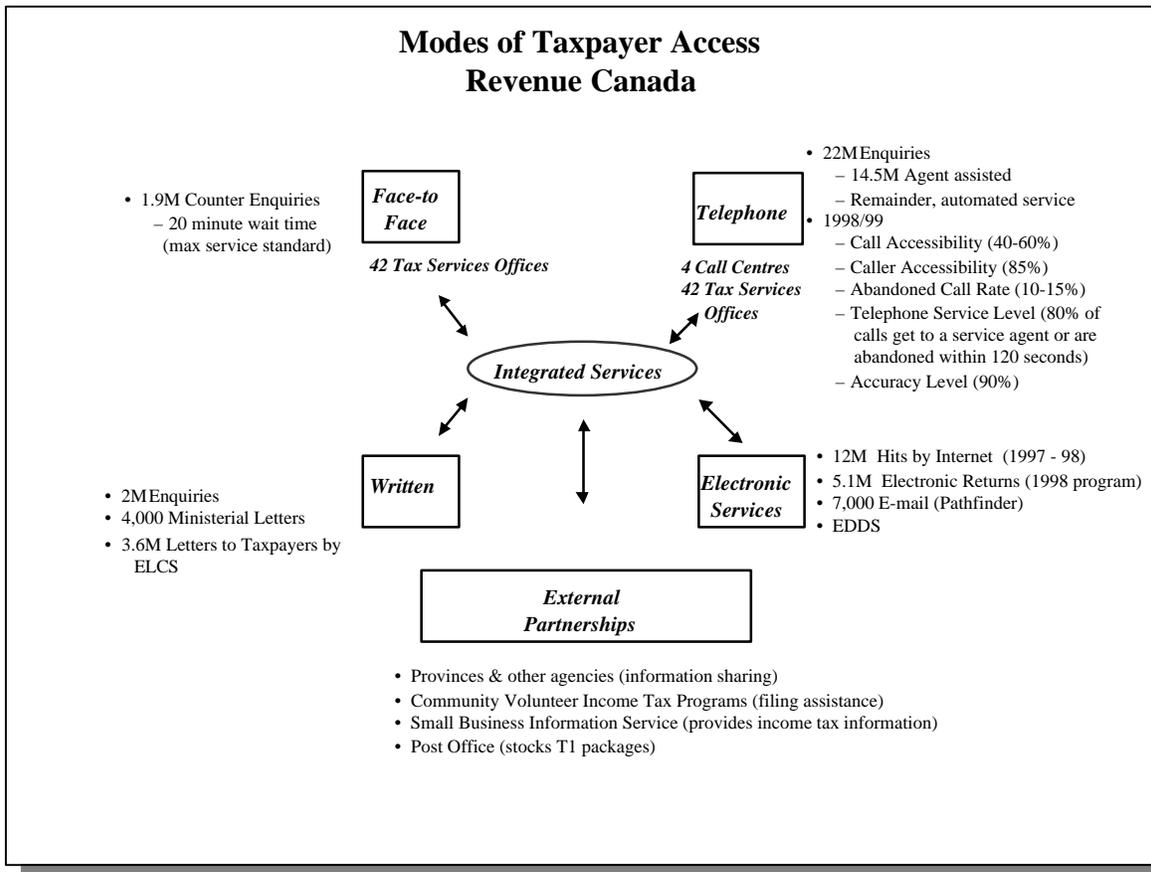


Figure B-4. Modes of Taxpayer Access, Revenue Canada

In the past, the labour-intensive and paper driven TPR process was costly and provided poor client service. The staff had developed an audit-like processing mentality, verifying all requested adjustments regardless of dollar value or risk of noncompliance.

Revenue Canada reengineered the program to streamline workflow, maximize use of technology by implementing a scoring system, and increase automation with the On-Line ReAssessment Processing (OLRAP) system, which includes on-line help, auto error correction and links to other systems. The new process maximizes available technology and allows quick decisions, maximizing savings and client service. The system links all related databases and uses the available information to determine the risk associated with the adjustment. Requests that require verification are identified and all others are processed automatically. Most requests can be processed quickly at the first point of contact. Reengineering the process has resulted in a reduction of resources equal to 204 full time employees nationwide.

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Detail of TPR process

The TCs and TSOs process correspondence in which the client identifies an error on a previously assessed return or submits additional information. TCs also process complex cases, including correction of departmental errors resulting from final legislation changes, system errors and client requests from large groups (e.g., errors in information slips). The adjustment is processed through the OLRAP system, where error clues similar in nature to ones set during the initial assessing phase are displayed online. At this point, scoring logic is invoked and if the adjustment scores below a cutoff point determined by the system, the adjustment is processed as keyed and no verification is required. If the adjustment scores above the cutoff point, a message is sent to the assessor to verify the claim.

Once the adjustment is processed, the system releases the reassessment to the next daily assessing system cycle for processing. If no process errors are detected, a notice of reassessment is automatically issued to the client. Any process errors are either corrected automatically by the system or the return is canceled for further review. All reassessments can be viewed after the notice issued on the RAPID (see below) mainframe system.

The OLRAP system is used by different workflows, including:

- Taxpayer-requested adjustments
- TI processing reviews
- Information document matching.

Return Processing Correspondence

Approximately 300,000 returns per year require client contact during processing. A rejection number on rejected returns indicates the reason for the contact. A clerk writes a letter or calls the taxpayer, based on contact policies determined by each Tax Centre, to resolve rejected returns.

Accounts that require client contact occur throughout the year. Each business program has an automated computer enforcement system that handles the majority of initial contacts. The computer system automatically follows up for missing payments, returns, and year-end discrepancies. If the condition that made the account is not corrected, the system then alerts the officer who must then resolve the situation.

Outgoing Correspondence

For outgoing correspondence, an electronic letter creation system (ELCS), supporting 48 business processes, is used to help prepare consistent and accurate responses. This mainframe program automates creation, review, printing and storage of letters sent to clients. Approximately 10,000 users have access to ELCS, and over 19 million letters have been produced and stored electronically. Previously generated correspondence can be retrieved by agents in response to telephone, counter and correspondence enquiries. Production on ELCS is approximately 3.6 million letters annually and growing.

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In support of this system, approximately 17,000 standard verses letters have been developed in both French and English using plain language principles. ELCS users have access to these verses, but the system gives them the flexibility to create their own text. All correspondence from Tax Services Offices includes telephone and fax numbers. This allows a client to directly contact the person who is dealing with the account to get more information if necessary.

Telephone

Most Canadians prefer to communicate by telephone and continuing increases in call volumes are anticipated in view of the growth of the client population. It is also Revenue Canada's most cost-effective way of handling enquiries. A total of 22 million telephone enquiries were answered during fiscal year 1997-1998 on all business lines, of which 14.5 million were agent-assisted.

Call Centres

Most calls are received at over 40 sites located in the Tax Services Offices and the four "pure" Call Centres, located in Montreal, Toronto, and Vancouver, and the National 1-800 Overflow Call Centre in Ottawa. Offices process local and toll-free calls around the country. The services provided are both agent-assisted and automated. Both English and French language services are provided. The taxpayer indicates the language of preference on the tax return. This information is captured and available on the data screen. Three business lines are supported: general enquiries, credit/refund enquiries, and business window enquiries. (In addition to the four call centres, one outbound centre exists from which collection calls are made.)

Revenue Canada is in the preliminary stages of designing a 1-800 virtual call network 24 hours a day, 7 days a week, for implementation beginning in 2000.

In the Tax Services Offices, the employees who answer phone calls also perform other duties, such as staffing the counter, responding to correspondence, and preparing adjustments. However, a fundamental call centre philosophy of "incoming calls come first" is being adopted, along with streamlining the duties of staff assigned to telephones. To quantify progress in implementing this philosophy, Revenue Canada is adopting new performance indicators based on industry call centre practices, assisting managers with real time management and long-term planning.

The Toronto Call Site has a seating capacity of 214 and consists of 13 teams, one of which is an overflow team to fill empty seats. Flags of the provinces identify each team. The maximum team size is 20; the average is 17 or 18. All agents have desktop software and access to CCH. On occasion, they write up calls for more experienced "resource officers" who research the issue and call the taxpayer back. New service representatives shadow an experienced representative before they start taking their own calls. After they start taking

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calls, they are seated next to an experienced representative who assists with difficult calls. A SIN fraud indicator is available on the entity screen which tells a representative if the taxpayer has reported anyone else using his or her number.

The performance statistics shown in Table B-2, included in the Telephone Measurement Reference Guide for 1997, are gathered weekly at the call centres.

Table B-2. Call Centre Performance Statistics

Indicator	Goal
Service level	80% within 120 seconds
Adherence	80%
Occupancy ¹	85–90%
ASA (average speed to answer)	50–70 seconds
Abandon rate	10–15%
Accessibility ²	40–60% of call attempts

¹ The percentage of time an agent is in service (adherence), either on line with a client or doing paperwork related to the call.

² Accessibility measures the number of calls presented that make it into the ACD.

The accuracy of phone responses is also a key measure, with an 80% nationwide target. To assist call centre staff in improving their efficiency, a number of enhanced work tools have been provided or are being developed.

On-line Reference System

The On-line Reference System will provide task-specific, topic-based information to assist enquiries agents in responding to client enquiries. The mainframe-based system provides access to up-to-date program information and references to other information sources (e.g., interpretation bulletins, circulars).

Probing Guide

A probing guide or step-by-step topic-based information guide has been developed to assist enquiries agents in client interactions. The guide, developed in collaboration with field agents, helps agents gain a complete understanding of the client's situation so that they can provide a more complete and accurate response.

RAPID Interface Screens

An initiative to organise information required by customer service agents to respond to account-specific taxpayer enquiries involves developing new mainframe client information summary screens. The screens will summarize the information available on each client and allow agents to drill down to view specific information.

A number of other initiatives have been implemented to further improve telephone service, including:

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- Extending service hours until 9 pm during the filing season.
- Routing calls to a National Overflow Call Centre in Ottawa when no agent at a local call site is available to answer the call.
- Preparation of a weekly report card on performance indicators.
- Consolidating general enquiries and enquiries on Child Tax Benefits, and Goods and Services Tax credits in each of the large urban areas of Toronto, Montreal and Vancouver into single sites. These sites handle about 40% of total call volume.
- Preparing an enquiries profile survey to identify the types of enquiries received so as to better respond to taxpayer calls.
- Using knowledge of client demographics and calling patterns to improve planning and scheduling. For instance, peak calling times are during coffee breaks and peak calling days are Mondays and Tuesdays.
- Studying what data assistants are pulling from the mainframe.

As is demonstrated by the new initiatives and adopted performance indicators, Revenue Canada is migrating from just answering calls to managing their telephone programs as call centres.

Automated Phone Services

In addition to call centre services, a number of automated services are also available to clients.

The Tax Information Phone System (TIPS) is an automated telephone service, accessible via a national toll-free number, 24 hours a day, 7 days a week, that provides clients with general and personal tax information. This system does not provide an option to speak to an agent. TIPS offers six services listed below:

- Telerefund: (available from mid-February through December) - tells the client of the status of his/her refund.
- GST/HST credits: (available for five and a half weeks each time GST/HST credit payments are issued) - tells a client if he/she is eligible for the credit and the date to expect payment.
- The Registered Retirement Savings Plan (RRSP) Deduction Limit: (available mid-September to April) - gives the amount of RRSP contributions a client may deduct for the current taxation year.
- Bulletin Board: (available year round) - contains information of interest.

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- Info-Tax: (available from mid-January through June) - gives recorded individual tax information on various topics.
- Business Information: (available year round) - gives recorded information related to operating a business.

The Business Information System (BIS) provides recorded information on commonly asked questions for the four major business accounts:

- Corporate income tax
- Import/Export
- Payroll deductions
- Goods and Services Tax/Harmonized Sales Tax (GST/HST)

This service, available in the Ottawa, Vancouver, and Quebec City Tax Services Offices, is available 24 hours a day, 7 days a week. During normal business hours, the caller can request agent assistance.

The Automated Enquiry Response System (AERS) supports queries regarding refunds and credits. This service is available 24 hours a day during filing season.

An interactive voice response (IVR) system was rolled-out for the consolidated Toronto, Montreal and Vancouver Call Sites handling Goods and Services Tax credits, Canada Child Tax Benefit, and General Enquiries.

TELEFILE

TELEFILE is a relatively new service, introduced nationwide in 1998. The service is offered to about 8 million taxpayers annually and in the first year of nationwide use resulted in 400,000 returns. This free service, available seven days a week, allows clients filing simple returns to file their return information using a touch tone phone. Only primary computational taxpayer data is entered. The system does all tax calculations. Clients are invited to use the service based on income and deduction information from the previous year. A four-digit access code is provided with the invitation notice. No paper copy of the return needs to be filed. The client receives an acknowledgement and confirmation number at the end of the call and a Notice of Assessment approximately two weeks after the call. As with electronically filed returns, the TELEFILE return is subject to all of the same validity tests as a paper return receives.

Taxpayers can use TELEFILE even if they have to make a payment. They can file early and delay making their payment until April 30 by using the remittance form included with the instructions and making the payment at their financial institution or a Revenue Canada office.

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Electronic Services

T1 EFILE

The EFILE program is an automated system in which T1 tax return information is delivered to Revenue Canada electronically using communication lines. This service is only available to individual taxpayers filing a T1 return. This began as a pilot project in 1990 with just 2,000 returns filed but has increased steadily. In 1998 EFILE accounted for 5.1 million returns.

Electronic returns must be filed through approved electronic filers (mostly tax agents) who have to apply and be approved by Revenue Canada each year. Typically, a taxpayer will have a tax agent prepare and transmit their return. Revenue Canada also tests and approves any software used by the agent. The electronic tax record must be encrypted before receipt by Revenue Canada. After decryption, the return goes through certain validity checks during which it can be rejected and returned to the filer.

Accepted returns are acknowledged within hours of acceptance. The return goes through the same post data entry assessment processes as paper returns and a Notice of Assessment is sent to the taxpayer after the assessment cycle is completed (normally within 2 weeks). Clients must sign and keep Form T183, 'Information Return for Electronic Filing of an Individual Return'.

Internet Filing

Current plans call for the implementation of individual tax filing via the Internet by January 2000.

T2 Corporate EFILE

Starting in late 1999, corporations with fiscal years ending in or after 1999 are expected to be able to file their returns through approved electronic filers using Corporate EFILE.

Transmitters for Corporate EFILE are required to:

- Register with Revenue Canada as a transmitter
- Perform connectivity testing with Revenue Canada
- Encrypt data before transmission
- Reconcile transmissions and responses according to EDI standards
- Retransmit returns within a reasonable time, when applicable
- Retain a signed copy of Form T183 CORP for each T2 return transmitted for corporations and an Electronic Filing Certificate for every CT23 return transmitted to Ontario.

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Direct Deposit

Direct deposit has replaced cheques as the federal government's standard method of issuing payments. Direct deposit has a number of advantages to both the client and the government over the traditional method of payment. All individual taxfilers can have their income tax refunds, GST or HST credits, and Child Tax Benefits deposited directly to their bank accounts at any financial institution in Canada. Business clients can also have their income tax refunds and GST or HST refunds and rebates deposited directly.

To enroll for direct deposit, clients complete an application providing Revenue Canada with the financial institution information of the account into which the funds should be deposited. Revenue Canada continues to use this information until it is changed by the taxpayer. Revenue Canada performs a series of edit checks on the financial information given by a client before depositing a refund or credit payment into the designated account. If funds cannot be deposited, a paper cheque is mailed to the client address on file.

Publications on the Internet

Revenue Canada is using the Internet to make information from guides, pamphlets, information circulars, and interpretation bulletins available to the public. Any taxpayer can retrieve these items as needed. The web site includes many features, including online forms ordering. The Revenue Canada web site received 8.4 million hits in 1996-1997. In 1997-1998 this figure increased to approximately 12 million hits.

Pathfinder

Revenue Canada initiated a project called Pathfinder in December 1997. The service is designed to assist taxpayers in finding information on Revenue Canada's web site. It is not designed to answer individual enquiries or enquiries of a specific nature. Intended as a guide to existing publications, the service improves taxpayer education by providing several references. The taxpayer is asked to provide an e-mail address and Revenue Canada sends an e-mail listing the publications or forms they need and the specific URL of where to find them on the web site. Pathfinder provided close to 7,000 replies in 1998, of which 55% were for individuals, 25% for businesses, and 15% for customs. Staffed by one full-time employee, and some additional people during peak periods, the answer is provided within 24 hours.

Business Registration On-line Workstations

Located in all Tax Services Offices, these fast and convenient workstations allow business clients to register for a Business Number or to obtain any one of the four major business accounts. This convenient method has the client answering a series of simple questions and provides an alternative to registering at the counter, by telephone or through the mail.

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Automated Payment Machines

Revenue Canada has introduced a program that will enable clients to make GST or HST and income tax payments in an automated payment machine in TSOs. This pilot will use customized banking machines in four test sites: Calgary, Halifax, Hamilton, and Toronto North. It is anticipated that this system, using technology that clients are quite familiar with, will eliminate long queues at Tax Services Offices. This system will also free staff to serve clients more efficiently.

Electronic Document Distribution System (EDDS)

Clients can obtain electronic versions of Revenue Canada documents through the Electronic Document Distribution System (EDDS). This is an electronic bulletin board available via a nationwide public network and replaces the advance release of forms. Documents on EDDS are often available up to six weeks before printed copies. Many documents are available through EDDS including:

- Publications and guides
- Pamphlets
- Forms
- Information circulars
- Interpretation bulletins
- Advance income tax rulings
- News releases.

External Partnerships

Revenue Canada has strong relationships with most of the provinces with which they have agreements for collecting a number of provincial/territorial taxes in addition to the Provincial Income Tax, which they collect for all provinces except Quebec. This relationship will change further once the new Customs and Revenue Agency is put in place. Although the Province of Quebec collects its own provincial income tax, Revenue Canada and Revenue Quebec work closely to provide some joint services to clients (such as the Community Volunteer Income Tax Program).

In addition, through government-wide initiatives called Info Centres and Canada Business Service Centres, basic Revenue Canada services such as tax clinics, forms and procedures, receipt of tax returns or remittances, and the replacement of lost, stolen or destroyed cheques are also available. Revenue Canada also pays the post office to stock the T1 tax package.

Electronic Data Exchange

Revenue Canada is developing partnerships with provinces and social service agencies to establish electronic information sharing programs. Electronic data exchange eliminates the need for clients to contact Revenue Canada (primarily for income verification) and ensures

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rapid information transfer. Some memoranda of understanding with provinces and agencies are already in place. Future plans include developing customized printout systems to provide data specific to the needs of various provinces or agencies. The long-term plan includes development of systems to allow direct electronic access to information.

Community Volunteer Income Tax Program

The Community Volunteer Income Tax Program is a community-based outreach program designed to make it easier for people to file their tax returns. Through TSOs around Canada, Revenue Canada provides training to representatives of community-based organisations and other interested individuals on how to complete basic income tax returns. These volunteers then help eligible clients complete their personal tax returns. As a result of this program, many more Canadians are becoming aware of their responsibilities under the self-assessment system. Clients who benefit from this service include taxfilers claiming refunds and credits only, low-income earners, students, seniors, and new Canadians. During the 1997 individual income tax filing season, 16,000 volunteers helped over 352,000 clients file their tax returns.

Teaching Taxes

Each year, Revenue Canada supplies Teaching Taxes kits free of charge to about 2,000 teachers and 75,000 students. High schools and colleges across the country use the program in economics, accounting, business, mathematics, consumer education, social studies, and even language courses.

Partnership with Service Canada

This is a new government-wide initiative which is just underway. The Service Canada initiative was authorized in December 1998 to improve access to and visibility of federal government services. The Service Canada vision is to provide Canadians with 'one-stop' access to a range of government services in a fast, reliable, convenient, and cost-effective manner.

Key roles and priorities include:

- Developing government-wide citizen-centered service delivery strategy
- Building consensus on service standards and service offerings
- Supporting development of horizontal infrastructure
- Serving as a focal point for brokering interdepartmental partnerships and funding arrangements
- Monitoring citizen needs and ensure continuous improvements.

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Improvement Strategy Summary

Revenue Canada has adopted a three-point strategy to improve service containing the three following initiatives:

1. Reduce the need for clients to call by:
 - Forming partnerships with provinces to establish electronic information sharing for social service programs.
 - Fixing the top 10 problem notices to avoid generating unnecessary enquiries. Initially problem texts will be rewritten for better clarity. Changes requiring modification to the system logic are targeted for action over the long term.
 - Expanding information available on the Internet.
 - Expanding outreach programs (e.g., increasing returns prepared by VITA by 20%).
 - Strategic use of press releases and news bulletins on streamlining the current preparation and approval process.
 - Targeted communications and consultations with client groups.
2. Improve operational efficiency by:
 - Maximizing automated front-end systems (e.g., TIPS) to provide increased accessibility for routine and repetitive enquiries while at the same time reducing call volumes requiring access to an agent.
 - Implementing telephone management practices such as queue management and staff scheduling to utilise workload information. For example it has been found that Mondays and Tuesdays are the peak days for general enquiries.
 - Enhancing tools for staff use. This includes expanding the on-line reference tool to run from PCs, implementing the probing guide, and implementing the RAPID interface screens.
 - Implementing quality monitoring (silent listening) by quality coaches and external accuracy surveys conducted at different times during the year.

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- Establishing operational results and improved reporting on accessibility and accuracy.
3. Invest to increase existing capacity by:
- Establishing a national call program for toll-free overflow (to increase accessibility when a client would otherwise receive a busy signal).
 - Injecting resources strategically into specific local offices.
 - Offering Saturday service from 9:00 am to 1:00 pm during the filing season.

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7.0 IMPROVEMENT INITIATIVES SUMMARY

Figure B-5 identifies specific initiatives, programs, or activities undertaken by Revenue Canada, which are described in the sections above, to continually improve its services to the taxpayers and to the national government. A short description of each initiative can be found in Chapter 2 of the main report.

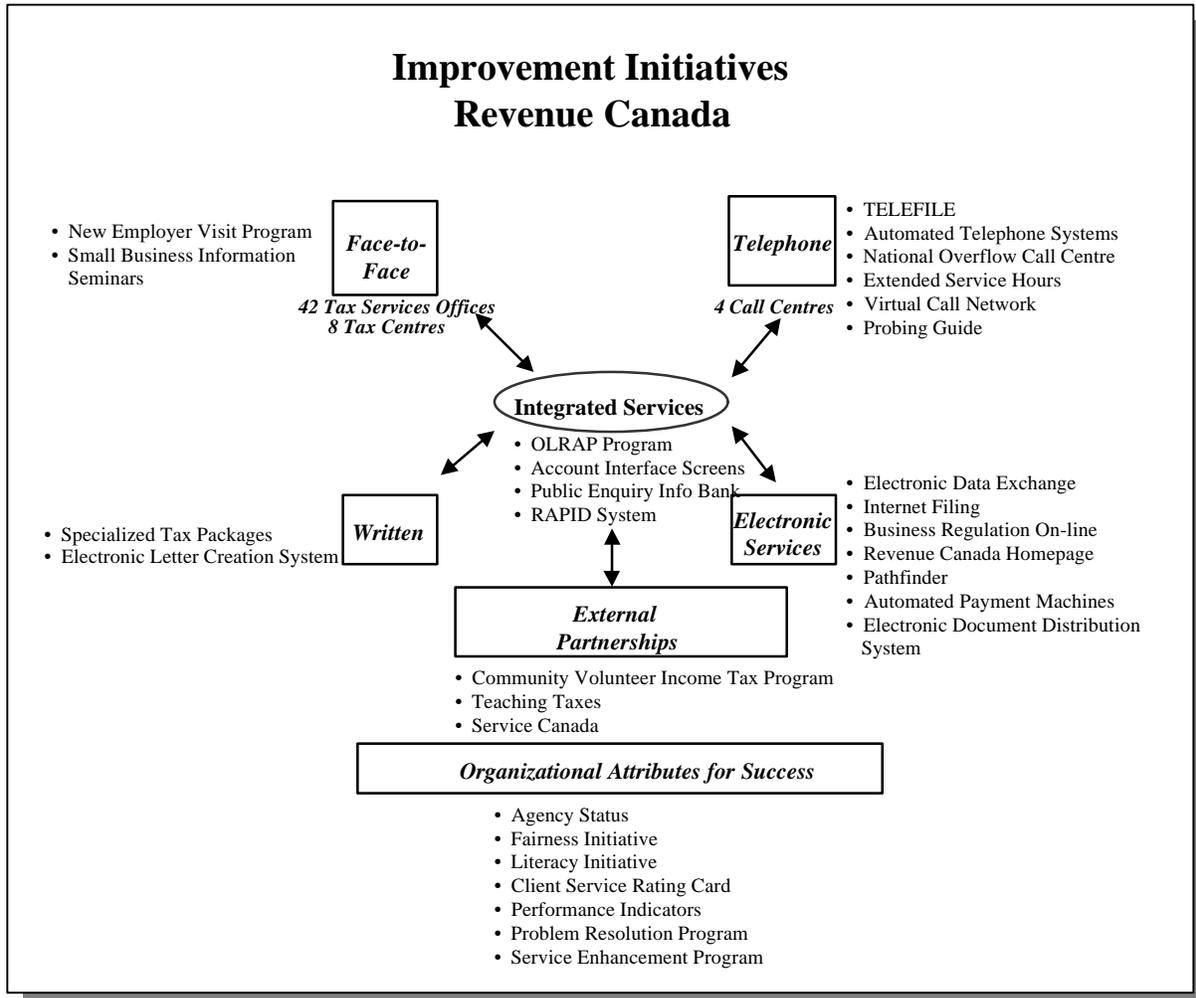


Figure B-5. Revenue Canada Improvement Initiatives

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PATA
Benchmarking Study
Report

Japan
National Tax
Administration

October 1999

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1.0 MISSION, VISION AND MANAGEMENT APPROACH

The National Tax Administration (NTA) administers tax laws and assesses and collects internal taxes, which form the major part of the revenue budget. NTA integrates examinations and taxpayer guidance, offers tax consultation services, and emphasizes positive public relations.

Japan has adopted a self-assessment system whereby each taxpayer files a return and pays his or her tax liabilities voluntarily. To ensure smooth functioning, the NTA focuses on guidance and public relations activities. However, maintaining a moderate tension between taxpayers and tax authorities through examinations and information gathering is also considered important. The NTA strives to assure tax revenues through careful management of revenue accounts and execution of compulsory collections.

The Tax Administration Policy sets out basic objectives and outlines important measures to help achieve those objectives. The policy is summarized under the following three headings:

1. To encourage taxpayers to file accurate returns and pay proper taxes due.
 - For taxpayers to file accurate returns and pay taxes voluntarily, it is necessary that they understand the importance of taxation, recognize their responsibilities as citizens, and understand tax laws and bookkeeping methods.
 - The NTA endeavors, through public relations, guidance programs and tax consultations, to assist taxpayers in understanding the details of taxation and to familiarize taxpayers with tax laws and bookkeeping practices.
 - At the time of examinations, the NTA's policy is not only to grasp the facts precisely and correct taxpayers' errors, but also to deepen the taxpayers' understanding of tax laws and to enhance voluntary compliance.
2. To achieve accurate tax assessments.
 - To improve voluntary compliance in filing returns and paying taxes, it is necessary for tax authorities to ensure that all taxpayers carry out their responsibilities. Inaccurately filed returns are examined and corrected, and strict measures are taken in cases of serious tax evasion.

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3. To develop disciplined, familiar and efficient tax offices.
 - To improve voluntary compliance and win the trust and cooperation of taxpayers, tax authorities show impartiality and fairness in tax administration, and keep the work environment disciplined, cheerful and efficient. Every tax officer is expected to recognize his/her responsibility for national finances, be proud of the role he/she plays and maintain strict self-discipline. Such an attitude makes it easier for taxpayers to approach and confide in tax authorities.

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2.0 ORGANIZATION AND STAFFING

The NTA consists of a head office, 11 Regional Taxation Bureaus, Okinawa Regional Taxation Office, and 524 tax offices throughout the country. The NTA organization chart is shown in figure C-1.

NTA employs 57,100 staff, of which 613 work in the head office and 55,630 work in the Regional Taxation Bureaus and the tax offices. This staffing level also includes 36 in the National Research Institute of Brewing, 365 in the National Tax College, and 456 in the National Tax Tribunal. With the introduction of consumption tax in 1989 and other factors, staffing rose from approximately 52,000 to its present number.

Head Office

The head office develops overall policies and plans for the administration of the national tax and formulates directives and guidance to the Regional Taxation Bureaus to coordinate uniform and impartial application of the tax laws and regulations nationwide. The head office also provides liaison with other ministries, agencies, and related organizations and foreign tax authorities.

Regional Taxation Bureaus (RTB)

Each bureau has a similar organizational structure mirroring counterparts in the head office. The Examination and Criminal Investigation Departments conduct audits of large companies in matters concerning corporation tax and consumption tax and investigate tax evasion cases. Among others, some auditors of the Taxation Department examine large companies on indirect taxes such as liquor tax and gasoline tax. Revenue management and collection departments act on large cases of overdue and delinquent taxes.

The Okinawa Regional Taxation Office was established in 1972. Its functions are similar to those of the Regional Taxation Bureaus, but on a smaller scale, and it has no departments.

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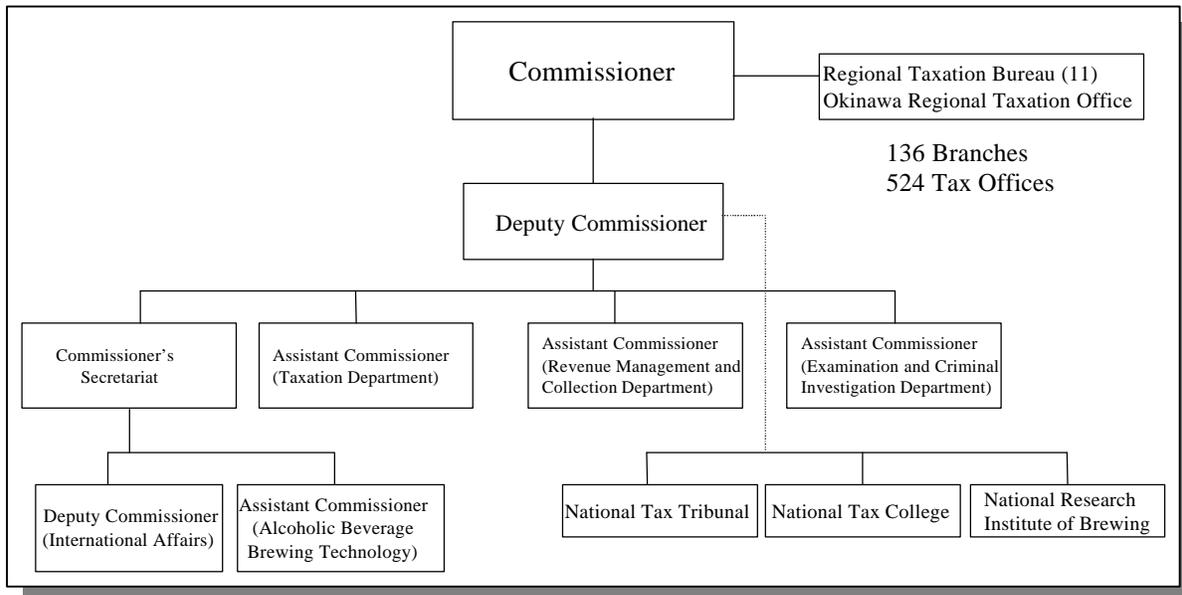


Figure C-1. Japan NTA Operations

Tax Offices

The tax offices are the front-line for administration and control of internal taxes and keep in closest contact with taxpayers. Each tax office is authorized to assess and collect all internal taxes within its area of jurisdiction. Organization varies according to scale. Generally, a tax office has one division and four groups under the District Director, namely the Coordination Division, the Revenue Management and Collection Group, the Examination Group (Individuals), the Examination Group (Property Tax), and the Examination Group (Corporation).

Each large-scale tax office has a Special Officer (Public Relations) who handles public relations activities relating to internal taxes and a Chief Examiner (Alcoholic Beverages) who is in charge of liquor tax and administration in connection with the liquor industry.

Affiliated Organizations

The NTA also has other affiliated organizations, including the National Research Institute of Brewing, which is in charge of research of alcoholic beverage production, and the National Tax College, which administers training programs for tax officials. The National Tax Tribunal reviews taxpayer requests for reconsideration of tax controversies. Both the National Tax College and the National Tax Tribunals have branches in the cities where the Regional Taxation Bureaus and the Okinawa Regional Taxation Office are located.

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Figure C-2 shows the regions and the location and number of Regional Taxation Bureaus and tax offices.

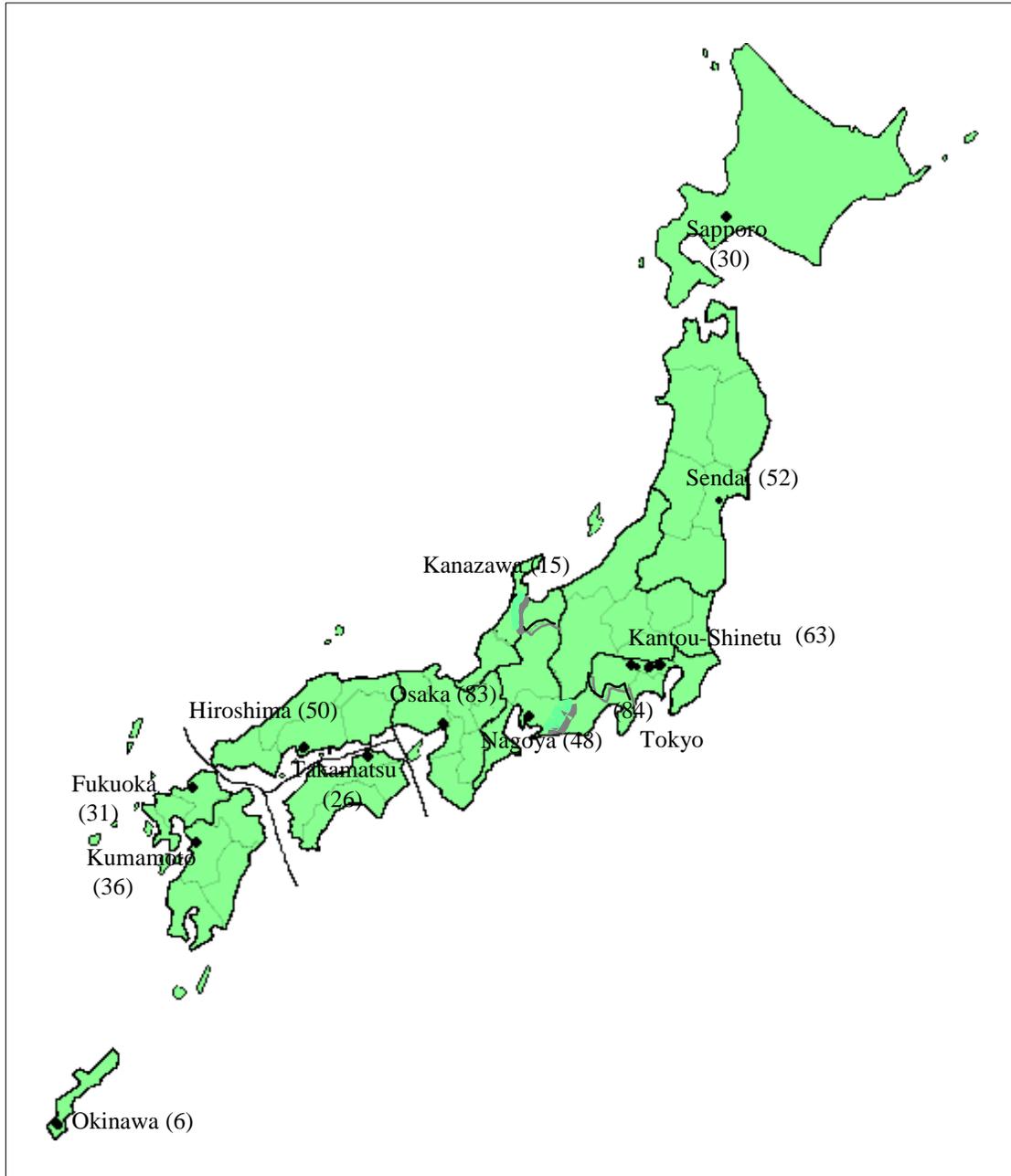


Figure C-2. Japan – NTA Regions and Offices

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3.0 CLIENTS AND CUSTOMER SERVICE DEMOGRAPHICS

Japan is one of the most densely populated countries in the world, with a population of 125.4 million residing on 145,822 square miles (density is 863 per square mile), and is growing at 0.2 % annually. Nearly 80% live in urban areas and about 45% are concentrated in Tokyo, Osaka, and Nagoya.

As of March 31, 1999, 19.46 million individual taxpayers had filed returns for 1998, and of these, 8.62 million claimed refunds. Those taxpayers with self-assessment tax liabilities for 1998 (6.22 million) can be classified as 1.77 million business income earners and 4.45 million other income earners. Although, there are approximately 54 million salary earners in Japan, only a small percentage are required to file a tax return. This is explained in greater detail in Chapter 5.

There were 2.642 million returns filed by corporations in FY1997. The main components of the national tax revenue in 1997 are individual income tax (34.5%), corporations (24.2%), and indirect taxes (29.7%).

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4.0 POLITICAL AND CULTURAL INFLUENCES

Japan's highly efficient withholding system (see Chapter 5) abrogates the need for the majority of employment income earners to file tax returns. The year-end adjustment process takes personal circumstances into account, so contact with NTA is seldom needed.

The emphasis on tax consultation before filing a return eliminates account-related problems for taxpayers required to file a return and the need to request an adjustment after the return is filed.

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5.0 TAX ADMINISTRATION ENVIRONMENT

The legal authority to assess and collect tax resides with District Directors of tax offices. In principle, the tax office is responsible for receiving, processing and examining tax returns and collecting taxes for all taxpayers in their jurisdiction with some exceptions including large corporations that are examined at the Regional Taxation Bureau. While most of income tax and corporation tax liabilities are principally calculated and paid by taxpayers themselves (self-assessment system), certain kind of taxes are subject to withholding at the source.

1. Withholding Tax System

Japan introduced withholding tax system in 1899 with the intention of collecting tax on interest income accruing from public and corporate bonds. The system was first applied to employment income in 1940, but it was after the end of World War II that today's system was established.

Those who pay employment income, interest, dividends, etc., act as withholding agents, calculating tax amounts at the time they pay income (within a prescribed procedure) and paying the tax amounts. There are approximately 4 million withholding agents for employment income in Japan.

The withholding system mechanism is very elaborate. Income tax on employment income is withheld according to various tax tables reflecting the size of a taxpayer's income and his or her personal deductions. There are separate tables for periodic employment income and for bonuses and other special payments.

At year-end, employers receive accurate information that takes the employee's personal circumstances into account and enables them to adjust under or over withholdings and pay the government or the employee.

The withholding system does not require employment income earners to file final returns with the tax offices, with the exception of special cases where they earn income in excess of a certain level from sources other than their employers. The system considerably reduces the clerical burden. At present, the withholding tax system functions effectively, with the revenue of tax collected under the withholding tax system amounting to 80% (withholding income tax revenue 16,402.0 billion yen per total income tax revenue 20,555.0 billion yen equaled 79.8%) of the total income tax revenue in the FY1998 general account budget.

2. Self-Assessment System

The self-assessment system was adopted in 1947, strongly influenced by the tax system in the United States. Previously, the mainstay had been the official assessment system

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whereby tax amounts to be levied were determined through administrative proceedings by the tax authorities. At first, there was considerable difficulty in making the self-assessment system take root in Japan, especially with regard to individual income tax. After almost 50 years since its introduction, it has become firmly established. To foster the system, the NTA adopted a number of measures relating to the tax system and its administration, including:

- Introduction of the blue return system in 1950
- Establishment of a bookkeeping system, a record keeping system, and a receipt and expense statement system for white return taxpayers in 1984
- Providing guidance in bookkeeping for taxpayers in cooperation with the Certified Public Tax Accountants Association and the Association of Blue Return Taxpayers, etc.
- Examinations of taxpayers who are suspected of underreporting their income or of failing to file returns.

The Blue Return System

Under the Blue Return System, a corporation or an individual who conducts a business may obtain the approval of the District Director to file a form printed on blue paper. Such a taxpayer is required to maintain books and keep continuous accounting records that meet prescribed standards. In return, the taxpayer is entitled by law to a variety of benefits in the calculation of income and to preferential treatments. The Blue Return System has come to play a central role in Japan's self-assessment system. In 1997, the number of blue return taxpayers among individuals was 4.61 million, and the number of blue return corporations stood at over 2.5 million.

The Bookkeeping System

In 1984, tax reform introduced an obligatory bookkeeping system and related provisions for non-blue return taxpayers to encourage taxpayers to accept the self-assessment system and to enhance fairness in taxation. A white return individual with business and other income is, for a certain period, required to keep records and documents relating to transactions and keep books if his or her income exceeds 3 million yen and append to the final return, documents which show the total amounts of total revenue and details of necessary expenses. Around 1.01 million individuals filed using this bookkeeping system as of March 31, 1998.

Tax Filing

Individual income tax is assessed on taxable income, which is computed on a calendar year basis from January 1 through December 31. Except for applicants for the year-end

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adjustment, taxpayers with taxable income that exceeds a tax threshold have to file final returns between February 16 and March 15 of the following year, although refund returns can be filed beginning January 1 of the following year. Individual tax payments are due on March 15.

A corporation tax is charged against the taxable income of corporations. As a rule, corporations must file returns with the District Director within two months after the end of their accounting period. Consumption tax returns of individual taxpayers are due and payable on March 31.

Tax returns are filed with the taxpayer's tax office. During the filing season for individual taxpayers, the tax office sets up a free tax consultation office to assist taxpayers in preparing their returns. And free tax consultation space is established where certified public tax accounts provide consultation service because of financial reason.

To support the tax administration environment, the NTA has introduced an integrated on-line system (KSK computer system) covering all major administrative duties and utilizing all data and information collected and stored by NTA. It has three shared subsystems that provide information processed by different systems nationwide, including taxpayer-specific information, rulings, and question and answer data. The system has helped improve administrative efficiency and identify non-compliance.

Tax Payments/Refunds

Taxpayers can make payments to national tax receiving agencies. They are: the Bank of Japan (the BOJ, which includes its head office and branches, commercial banks designated as the BOJ's agencies or the BOJ's revenue agencies), post offices, and national tax collection officers (Tax officials of tax offices in charge of national tax collection). These receiving agencies are located throughout Japan for taxpayers' convenience. The number of the BOJ and related agencies are around 24,000 and there are approximately 20,000 post offices along with all 524 tax offices. All tax paid to those agencies are then transferred to the government account in the head office of the BOJ.

When a taxpayer overpays their taxes or claims refunds by his/her returns, the refund can be paid into his or her account of the bank or post office, or paid directly at a post office of the taxpayer's choice.

Figure C-3 summarizes the interactions between NTA and the taxpayers in the tax filing process.

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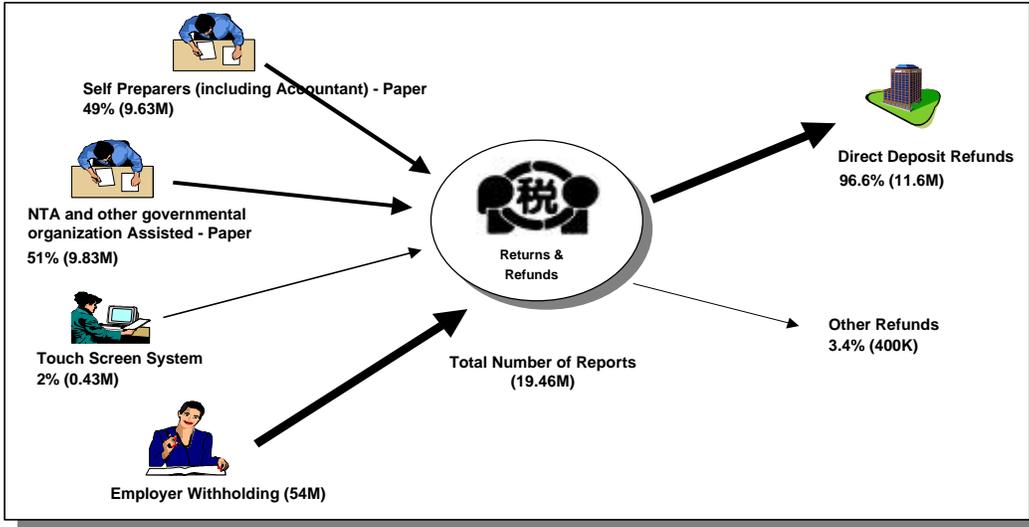


Figure C-3. NTA Returns and Refunds

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6.0 MODES OF TAXPAYER ACCESS

NTA's services to taxpayers are centered around four core activities:

- Public relations
- Taxpayer consultation
- Education and Guidance
- Examination.

Public Relations

Public relations activities are designed for taxpayers and the general public. By promoting public understanding of the purpose and importance of taxes and of tax systems, the aim is to encourage taxpayers to file accurate returns and pay their taxes voluntarily. Public relations activities include placement of advertisements and articles in newspapers, on television, on radio, and providing information on the NTA's website. NTA also publishes and distributes pamphlets with information of direct relevance to taxpayers. There are public relations officers assigned in the major tax offices.

Taxpayer Consultation

Taxpayer consultation is designed to ensure that taxpayers voluntarily fulfill their obligation to file accurate returns and pay the correct tax. Consultation provides a passive administrative service by replying to taxpayer inquiries. Tax authorities aim to gain the trust of taxpayers by responding to individual taxpayers' doubts and interests concerning taxes quickly, precisely, and politely.

Education (Guidance)

To enhance the education of students in tax matters, the Councils for Promotion of Tax Education which are made up of representatives from the national government, local government, and educational organizations have been established as a solid foundation of tax education. The NTA publishes a number of sub-textbooks, pamphlets, videotapes, and CD-ROMs that are distributed to elementary, junior, and high school students.

The NTA also provides individual and group guidance to assist individual corporations in voluntarily filing returns and paying taxes appropriately. In this way, efforts are being made to improve bookkeeping standards and return details.

Examination

NTA's policy is to not only grasp the facts precisely and correct taxpayers' errors, but also to deepen the taxpayers' understanding of tax laws and to enhance voluntary compliance. Inaccurately filed returns are examined and corrected, and strict measures are taken in cases of serious tax evasion.

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Figure C-4 displays different programs utilized by NTA according to mode of access. These are described in the following sections.

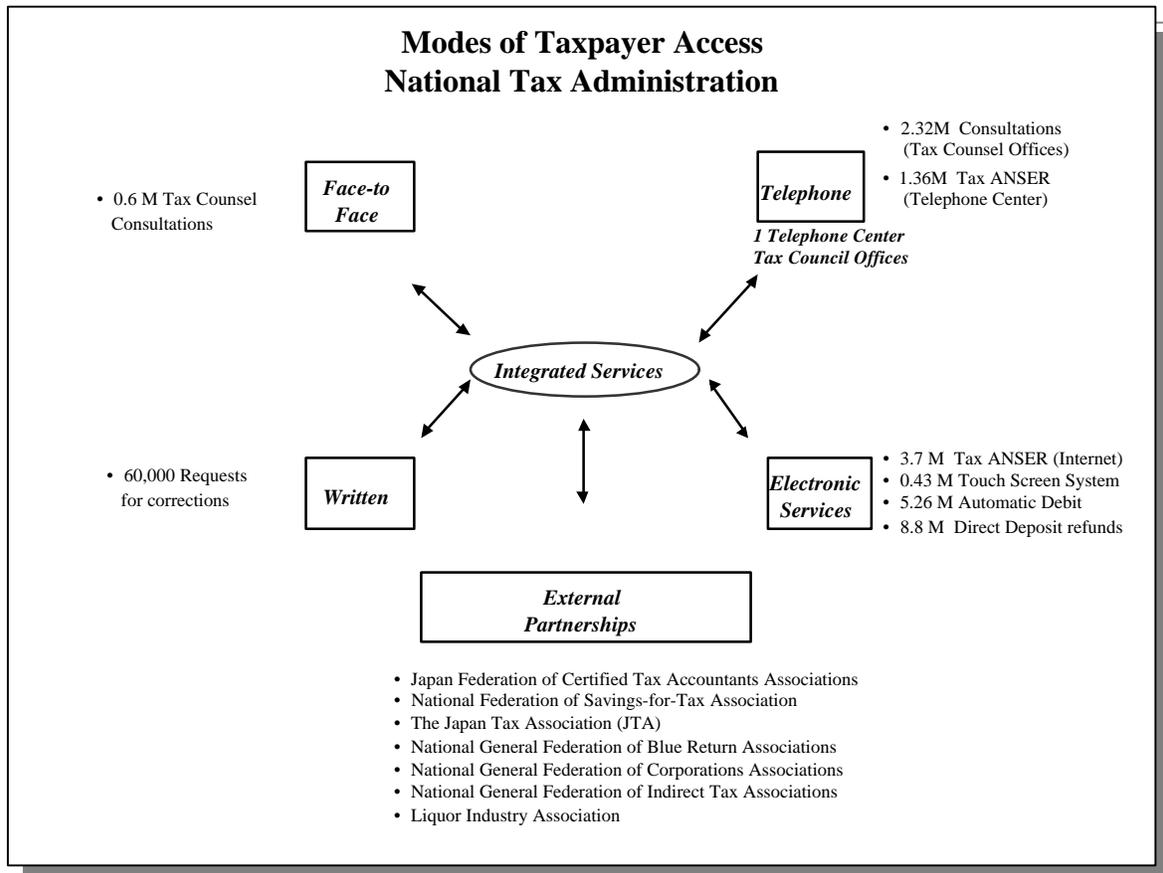


Figure C-4. Modes of Taxpayer Access, NTA

Face-to-Face

Walk-in service is provided throughout Japan in tax offices. The offices serve as the primary distribution point for forms and publications and offer immediate advice from a counselor or staff member.

Tax Counsel Offices are located in the 11 Regional Taxation Bureaus and in the Okinawa Regional Taxation Office. Tax Counsel branch offices are also located in 139 major tax offices. Each branch office has been set up to handle tax consultation matters as a separate office in the corner of the tax office. There are between two and five counselors in each office, with a total of approximately 600 tax counselors. Branch office staff also travels at regular times during the year to provide consultation to taxpayers living in remote regions. In addition to this formal structure of expert consultants, Japanese taxpayers can receive advice and assistance from all 524 tax offices.

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The total number of face-to-face cases accepted by the nationwide Tax Counsel Offices and their branch offices in fiscal 1998 was approximately 664,000 (22% of total cases accepted), a slight increase over the previous fiscal year.

Written

Taxpayers normally visit their tax offices if they obtain written services, such their tax payment certificate.

Telephone

In Tax Counsel offices, tax consultations by telephone accounted for 78% (2.3 million) of all person-to-person tax consultations for fiscal year 1998. Fifty percent of the tax consultation is received from January to March. The composition of consultations by tax item is; income tax 53%, property tax 24%, corporation tax 7%, consumption tax 3% and others 13%. In the Tokyo Telephone Center, calls are answered by a menu system, which directs the call to one of four business lines. Calls can also be transferred internally to a tax counselor trained to answer complex cases. Consultations normally deal with requests for tax law interpretation. Staff is divided among the different business lines as follows:

- Income tax and withholding
- Inheritance, gift, transfer of property
- Corporation and consumption tax
- The other cases.

A separate bilingual line also exists with English speaking consultants to assist foreigners.

If a ruling is required, the taxpayer stays on the line while the counselor consults with the rulings staff. The Telephone Center usually receives complicated cases, but rarely returns calls or takes referrals. Employees answer up to 20 calls per day on average. The heaviest traffic days are Monday and Tuesday. Office hours are from 9:00 am to 12:00 pm and 1:00 pm to 5:00 pm.

In the RTBs, both consultation offices and branch offices are in charge of the service. In addition to the consultation offices and branches, tax offices across the nation respond to telephone inquiries.

Tax ANSER

Tax Automatic Answer Network System for Requests (Tax ANSER) is a computer system that provides information in response to tax inquiries over the telephone. The

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system was introduced at the Tokyo Regional Taxation Bureau in January 1987 to cope with the increasing demand for tax consultation services and as one of the measures to promote computerization of tax administration. The service is now provided year-round in 51 areas nationwide from 6:00 am until midnight (operation hours will be extended to 24 hours from December 1999), seven days a week.

Tax ANSER responses are recorded explanations in reply to frequently asked uncomplicated tax questions. When taxpayers call the Tax ANSER system, they are asked to choose a specific code for the explanation that is desired. The chosen explanation is then heard automatically. There are about 640 different explanations available to Tax ANSER users. The top three messages concern:

- Taxable earnings from a part-time job
- Medical expenses
- Qualification for spousal deduction.

In 1992, a facsimile service was instituted and is presently available in 39 cities and this service will be available in 51 cities from December 1999. The system faxes the taxpayer a printed brochure on the topic requested. Originally, Tax ANSER topics sent by facsimile were the same topics provided by means of voice recordings, but the system is being enhanced to include tax tables, diagrams, and calculation methods. A private company maintains the Tax ANSER system.

In 1998, Tax ANSER responded to 1.36 million inquiries, a decrease of 5% over the previous fiscal year. Of these, approximately 40% utilized the fax service. It is likely that the decrease was brought by users' shift to the Internet Tax ANSER service (see below). The amount of usage outside normal working hours accounted for nearly half of all cases. This indicates that the ease and convenience of being able to use this service at suitable times for taxpayers is one of the major factors boosting the increased use of Tax ANSER.

Future Directions

NTA recognizes the need to study measures to concentrate the management of telephone consultation to make it more efficient and effective, based on advances in communication technology.

Electronic Services

In January 1997, NTA established a home page on the Internet to provide Tax ANSER information and a simple example of how to complete a tax return form. It can be searched by tax category and by keyword. The number of Internet inquiries was 3.68 million from April 1998 to March 1999, which is already higher than the number of standard telephone Tax ANSER inquiries. A link to topic codes relating to foreigners is available in English. The address of the site is www.netspace.or.jp/~taxanser/.

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NTA also established a home page on the Internet for general information to provide such information as tax in everyday life, the latest statistics, press release. The address of this site is "www.nta.go.jp". These web sites allow NTA to provide updated information and further develop taxpayers service through Internet.

NTA started to successively provide several tax forms on the Internet beginning June 1998 and added forms of appendix of corporation tax return. Taxpayers are able to print out the forms and file them to tax offices. Usage amounted to approximately 300,000 as of the end of March 1999.

Tax Preparation Touch Screen System

NTA developed a touch panel return preparation system for use by individual taxpayers in January, 1999. The system is very user friendly. It verbalizes the instructions and contains screen prompts to walk the taxpayer through return preparation. The system is hooked to a printer to enable the taxpayer to print out the completed return. It is deployed at refund centers (where the taxpayer can file refund claims) and tax offices.

Payment by Account Transfer

Account transfer is a convenient method of paying taxes. Under this system, the tax office sends a tax payment slip, issued in the name of a taxpayer, to a financial institution where the taxpayer has a deposit account. The financial institution transfers the tax on behalf of the taxpayer from his or her account, and sends the taxpayer a receipt for the payment.

Due to this system, taxpayers do not have to go to financial institutions for tax payment, while tax offices can prevent taxpayers from failing to pay their tax as well as improving clerical efficiency. Therefore, the NTA recommends this method to taxpayers through tax consultations or through local governments, financial institutions, and affiliated private organizations. In 1998, 70.9% of individual income taxpayers (who filed tax returns) and 80.3% of consumption taxpayers (individual proprietors) used this system at the filing periods.

Direct Deposit

Most refunds are issued via direct deposit from the Bank of Japan, which sends a transfer statement to the taxpayer's bank. This accounts for 93.6% of the number of all refunds cases (98.9% in terms of amount). Taxpayers who do not have a bank account receive a notice to take to the post office for their refund. Most refunds are paid within 4 to 6 weeks.

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External Partnerships

NTA has a number of partners to help foster compliance by promoting greater taxpayer knowledge and assistance.

Post Office

The Post Office is one of the means used by taxpayers to collect refunds. There are two ways a post office is utilized. Taxpayers can request that the NTA deposit a refund in their post office account designated by the taxpayer or they may collect the refund in cash at a post office of the taxpayer's choice.

Certified Public Tax Accountant System

The Certified Public Tax Accountant System was established to administer the self-assessment systems properly and smoothly. Certified public tax accountants, who are experts on taxation and hold an independent and impartial status have a public duty to realize the fulfillment of tax obligations according to the ideals of Self-Assessment System.

The Japan Federation of Certified Public Tax Accountant Associations was established under the Certified Tax Accountant Law and is composed of certified public tax accountant associations usually established in each jurisdiction of the Regional Taxation Bureau. Each association has branch offices covering one or more tax office jurisdictions. The law details the tasks, qualifications, rights and duties of tax accountants, which include acting as a tax agent, preparing tax documents, and offering tax consultation for all taxes other than the stamp duty revenue and license tax. Lawyers and certified public accountants are qualified to be a certified tax accountant, and are able to conduct the tasks when they fulfill certain conditions.

In March 1998, there were 63,252 certified public tax accountants in Japan; 1,196 lawyers permitted to engage in tax accounting services through notification to the regional commissioner; and 1,685 certified public accountants with permission to practice.

Council for Promotion of Tax Education

The Council comprises representatives from the national and local governments and educational organizations to enhance the education of children and students in tax matters. The Council publishes sub-textbooks such as "Our Life and Tax," which is material for tax education in accordance with the Ministry of Education's source of study and distributes them to schools. As one of the Council representatives, NTA officials give talks at schools and NTA sponsors essay contests on the theme of taxes.

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Other organizations partnering with NTA to promote taxpayer education and compliance are:

- National Federation of Savings-for-Tax associations
- The Japan Tax Association (JTA)
- National General Federation of Blue Return Associations
- National General Federation of Corporations Associations
- National General Federation of Indirect Tax Associations
- Liquor Industry Associations.

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7.0 IMPROVEMENT INITIATIVES SUMMARY

Figure C-5 identifies specific initiatives, programs, or activities undertaken by NTA, which are described in the sections above, to continually improve its services to the taxpayers and to the national government. A short description of each initiative can also be found in Chapter 2 of the main report.

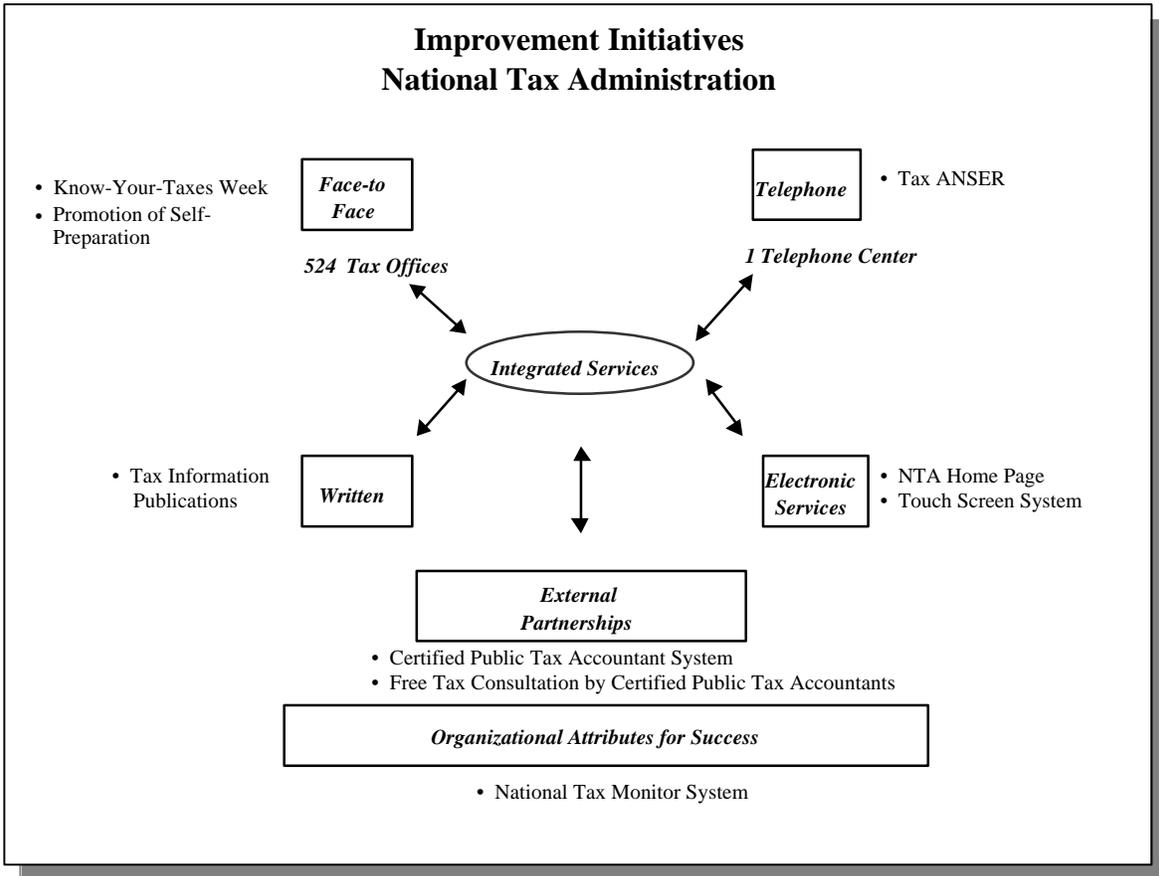


Figure C-5. NTA Improvement Initiatives

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**PATA
Benchmarking Study
Report**

**United States
Internal Revenue Service**

October 1999

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Appendix D

"This information is furnished under the provisions of an income tax treaty with a foreign government and its use and disclosure must be governed by provisions of such treaty."

Appendix D

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1.0 MISSION, VISION AND MANAGEMENT APPROACH

IRS Mission Statement

The mission statement of the U.S. Internal Revenue Service (IRS) is to:

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

This mission statement describes both the role of the IRS and the public's expectations. The U.S. Congress passes tax laws and requires taxpayers to comply with them. It is the responsibility of taxpayers to understand and meet their tax obligations, and most do; roughly 98% of the taxes collected are paid without active intervention by the IRS. The role of the IRS is to help the large majority of taxpayers who willingly comply with the tax law, while ensuring that the minority who do not comply are not allowed to burden their fellow taxpayers. The IRS must perform this role to a top quality standard; all of its services should be comparable in quality to the best services citizens get elsewhere.

To meet this mission, the IRS has formulated three strategic goals:

- Top quality service to *each* taxpayer
- Top quality service to *all* taxpayers
- Productivity through a quality work environment

Top quality service to *each* taxpayer

The IRS has millions of interactions with taxpayers each year, from very simple transactions to very complex. The first strategic goal is to provide top quality service to each taxpayer with whom the IRS deals, one at a time.

- The IRS provides forms, information, and filing procedures to taxpayers who must file a return.
- Millions of taxpayers require information about their tax accounts with the IRS, or need help to determine how much or how to pay.
- The IRS may conduct an audit or a collection action, and inform the taxpayer that the agency believes more taxes are owed.

Whenever the IRS deals with a taxpayer, the taxpayer should receive top quality service and treatment that is helpful based on the particular situation. Having a clear understanding of the facts is critical to providing top quality service, because application of the tax law is determined by the particular facts and circumstances of each taxpayer's case. Success in achieving this goal will be measured by the response of taxpayers to the service they receive from IRS.

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Top quality service to *all* taxpayers

The second strategic goal is service to all taxpayers. The IRS must apply the law with integrity and fairness and not allow those who do not comply to burden taxpayers who do comply. This collective aspect of IRS service is important both to protect revenues flowing to the Treasury and as a matter of fundamental fairness. A tax system depends on each person who is voluntarily meeting his or her tax obligations having confidence that his or her neighbor or competitor is also complying.

The overall measure of success in this goal is the total collection percentage. It is important to note, however, that enforcement revenue, which in the past has been an important indicator for the IRS, is not a measure of success. Measuring overall compliance is also important.

Productivity through a quality work environment

The third strategic goal of the IRS is to increase productivity by providing a high-quality work environment for its employees. The IRS must provide top-quality service to taxpayers, but it must do so efficiently, using the fewest possible resources. The organizational attributes of world class companies, such as effective management, adequate training, and appropriate technology are all necessary to ensure that IRS workers receive the support they need to provide top customer services. It is essential that IRS employees accept ownership of the organizational goals.

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2.0 ORGANIZATION AND STAFFING

The current IRS organizational structure is built around four regions, 33 districts, and 10 service centers. Each unit carries out work by functional discipline, principally examination (audit), collection, criminal investigation, submission processing, and customer service. Figure D-1 displays the current organizational structure.

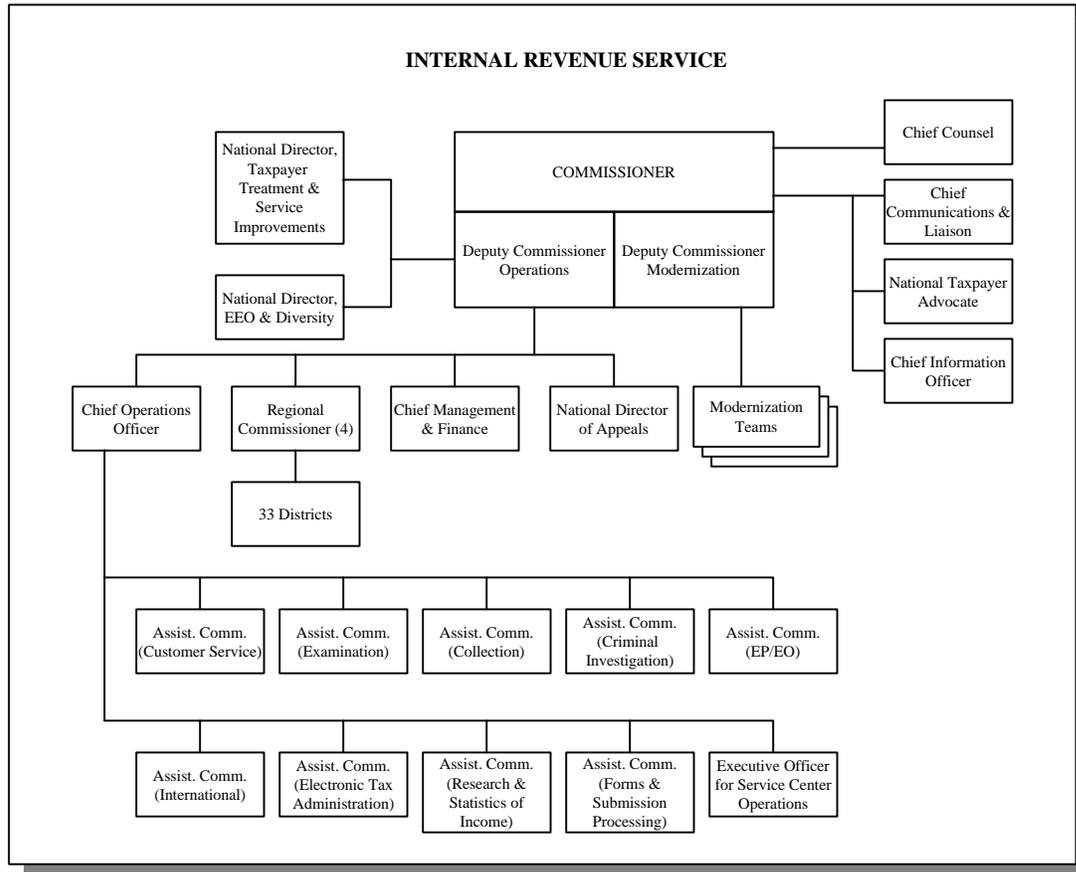


Figure D-1. IRS Organization

From 1993 through 1998, the number of IRS employees decreased from 115,000 to 98,000 while the economy grew in real terms by 17% and the number of tax returns grew by 8.2%. Current staffing is approximately 102,000 employees.

Each district is charged with administering the entire tax law for every kind of taxpayer in a defined geographical area. Overseeing these operational units are four regions and a national office. Support functions include management and finance, operations, appeals, information systems, and communications. The national office also operates three large computing centers. There are eight intermediary levels of staff and line management between a front-line employee and the Deputy Commissioner, who is the only manager

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besides the Commissioner who has responsibility over all aspects of service to any particular taxpayer.

The current structure does not enable the IRS to achieve its strategic goals. Cumbersome structure plus an inadequate technology base are the principal obstacles to modernizing IRS business practices and strategies and to delivering dramatic improvements in service and productivity.

The proposed modernized IRS structure is similar to one widely used in the private sector: organize around customers' needs. The key operational business units will be organized into four operating divisions, each charged with full responsibility for serving a set of taxpayers with similar needs. These units are:

- Wage & Investment
- Small Business/Self-Employed
- Large & Mid-sized Business
- Tax Exempt and Government Entities.

Three agency-wide service organizations will support these operational units: Counsel, Information Systems, and Agencywide Shared Services. Nationwide Appeals and Taxpayer Advocate organizations will provide separate specialized independent channels for taxpayers. A smaller national office will set broad policy, reviewing plans and goals of the operating units and developing major improvement initiatives.

Wage & Investment

The largest of the four operating units will serve some 88 million accounts representing 116 million individual taxpayers, including those who file jointly, and who have wage and investment income only, almost all of which is reported by third parties. Roughly 60% of these taxpayers file their own returns, depending directly on the IRS or on volunteer groups for education and assistance.

Small Business/Self-Employed

Another unit will handle fully or partially self-employed individuals and small businesses, including about 40 million accounts. This group has much more complex dealings with the IRS than the wage and investment taxpayers, with from 4 to 60 transactions with the IRS per year.

Large and Mid-sized Business

The Large and Mid-sized Business unit includes only about 170,000 filers. While collection issues are rare, many complex issues involving tax law interpretation, accounting, and regulation, many with international dimensions, arise. At least 20% of

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these taxpayers interact with IRS compliance functions each year, and the largest taxpayers deal with the IRS continuously.

Tax Exempt and Government Entities

The tax-exempt sector, including pension plans, exempt organizations, and governmental entities, represents a large economic sector with unique needs. Comprising 1.9 million filers, this sector ranges from small local community organizations to major universities and huge pension funds.

3.0 CLIENTS AND CUSTOMER SERVICE DEMOGRAPHICS

The United States covers an area of 9.3 million square kilometers and has a population of over 260 million. Its population density of 28.1 residents per square kilometer is fairly low compared with other industrialized countries. The IRS is the largest processor of information in the world. To manage its workload, the IRS is divided into four regions. It receives more than 220 million tax returns and over 1 billion information returns, issues 85 million refunds, answers over 111 million assistance calls, and collects nearly \$1.7 (U.S.) trillion annually. The map in Figure D-2 shows the location of the 10 service centers and 25 call sites by region.

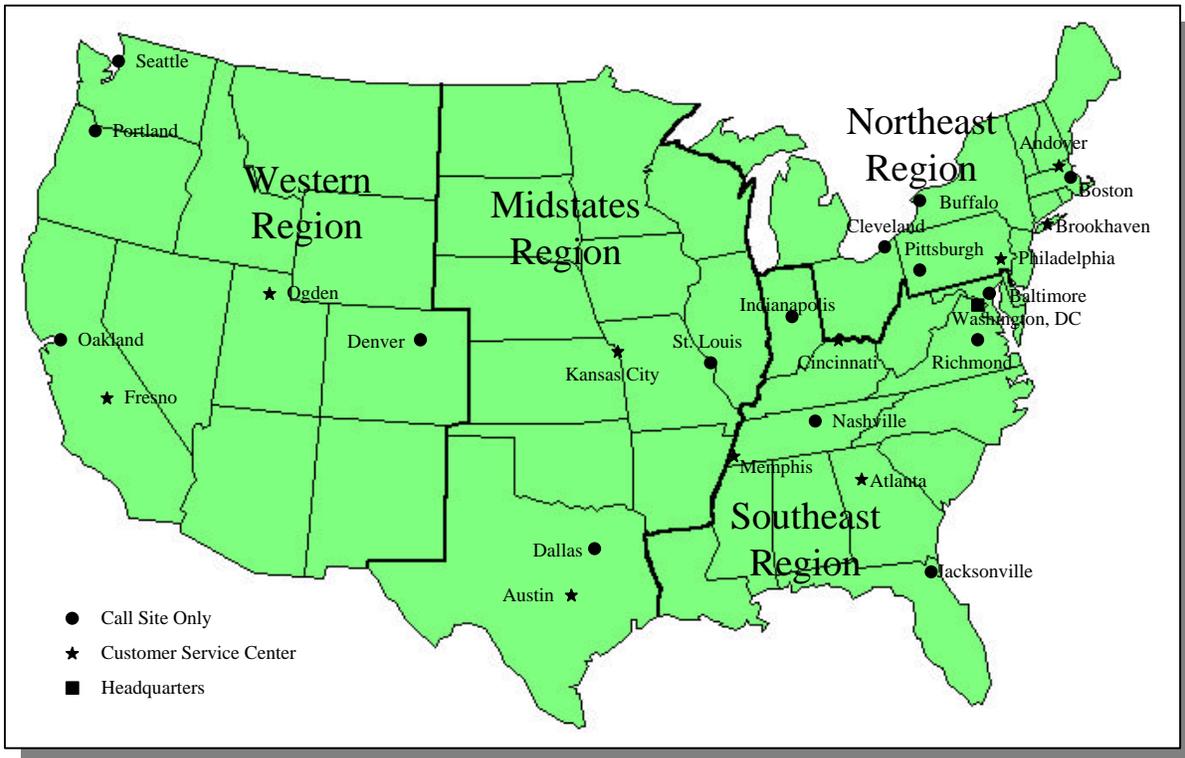


Figure D-2. IRS Regional Service Centers and Call Sites

The tax preparer community prepares one out of every two individual income tax returns, but only one out of every four tax returns prepared electronically by a paid preparer is filed electronically.

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4.0 POLITICAL AND CULTURAL INFLUENCES

The IRS was established in its current form in 1952, in the wake of corruption scandals, with the objective of creating an agency to collect federal taxes according to law without corrupt or political influences.

The volume and complexity of IRS operations has expanded tremendously since 1952. For example, the number of pages in the Tax Code has expanded from 812 to approximately 3,500, with over 9,000 changes in the last dozen years. The number of returns filed has also more than doubled. The focus of the Service has always been to collect the proper amount of revenue. The result is that the IRS must interact with the public more than any other American institution.

In the past several years, the IRS has been the subject of much study and criticism by bodies including a presidential commission, several congressional committees, and the Vice President's National Partnership for Reinventing Government. Many problems have been identified and many solutions proposed, dealing with virtually every dimension of the IRS, from electronic filing to employee discipline. This culminated with the passage of the IRS Restructuring and Reform Act in July 1998. The main thrust of the legislation was that IRS must do a better job in meeting the needs of taxpayers. The entire change process relating to the reform act is referred to as "modernization."

A strategic planning document entitled "Modernizing America's Tax Agency" summarizes the how the IRS is undertaking to meet the public's expectations. This document identifies goals and guiding principles of IRS modernization and ties together various reform initiatives, from reorganization to improved use of information technology.

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5.0 TAX ADMINISTRATION ENVIRONMENT

The IRS uses the Social Security Number (SSN) issued by the Social Security Administration (SSA) as the tax identification number for individuals. All taxpayers and anyone claimed as a dependent or as a person qualifying for a credit must have a valid SSN. The SSA's Enumeration at Birth program enables parents to complete an application for an SSN for their child at the time of birth.

The IRS is responsible for assigning Employer Identification Numbers (EIN) to business taxpayers. This number is required if a taxpayer pays wages to one or more employees or files pension or excise tax returns. The EIN can be applied for either over the telephone or through the mail.

The tax system in the United States is a self-assessment system. The vast majority of individual returns are filed on a calendar year basis. Return filings are due and taxes paid by April 15 following the tax year. All individuals with taxable income over a relatively low threshold are required to file returns. Employees are covered by the Pay As You Earn (PAYE) system, therefore, the majority of individual filers receive refunds on taxes withheld.

Over 220 million returns are filed annually, including business and employment returns. Figure D-3 displays the flow of returns from individuals and tax preparers in 1998. The increasing importance and popularity of alternative filing options is obvious from the diagram, with almost 25% of individual filers using other than paper.

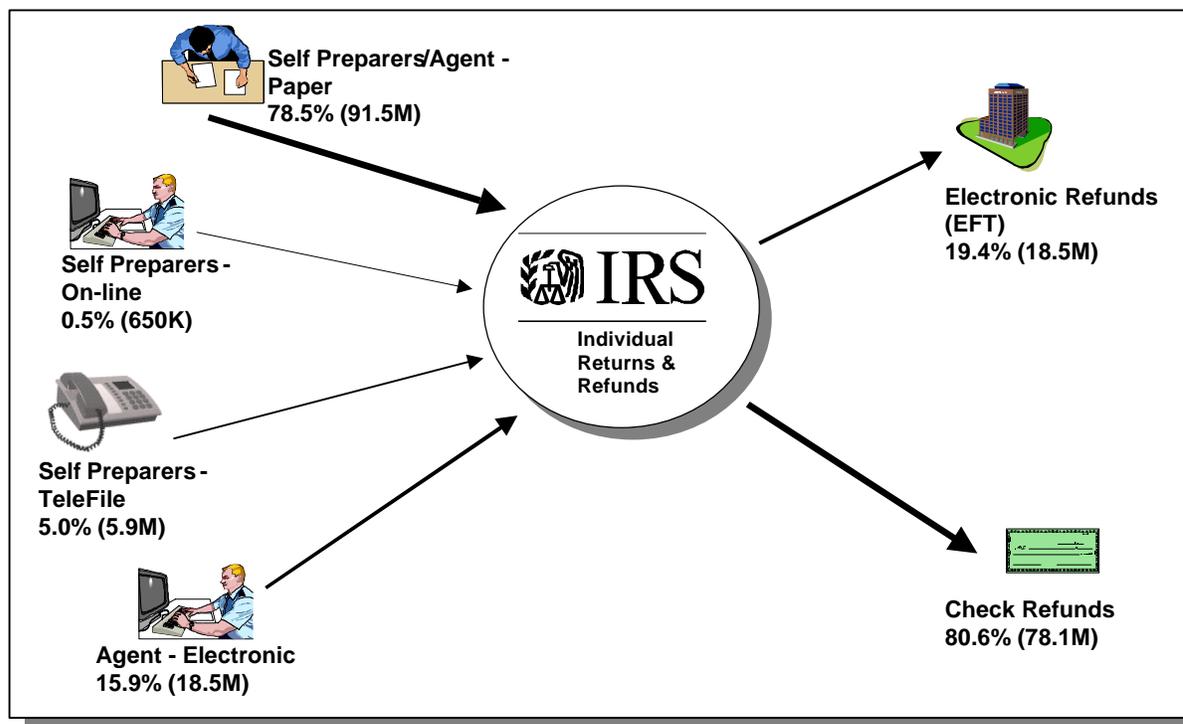


Figure D-3. Individual Returns and Refunds

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6.0 MODES OF TAXPAYER ACCESS

The IRS currently uses all four modes of access described in Chapter 1 of this report (face-to-face, written, telephone, and electronic services). In the future it will emphasize electronic service delivery and has developed a strategic plan for Electronic Tax Administration (ETA) as well as a separate ETA organizational unit. In the near term, telephone access is still the primary way that taxpayers communicate with the IRS, while written notices are the primary method for IRS to communicate with taxpayers. Specific programs utilized by IRS to communicate with taxpayers are displayed in Figure D-4 according to mode of access (1998 figures).

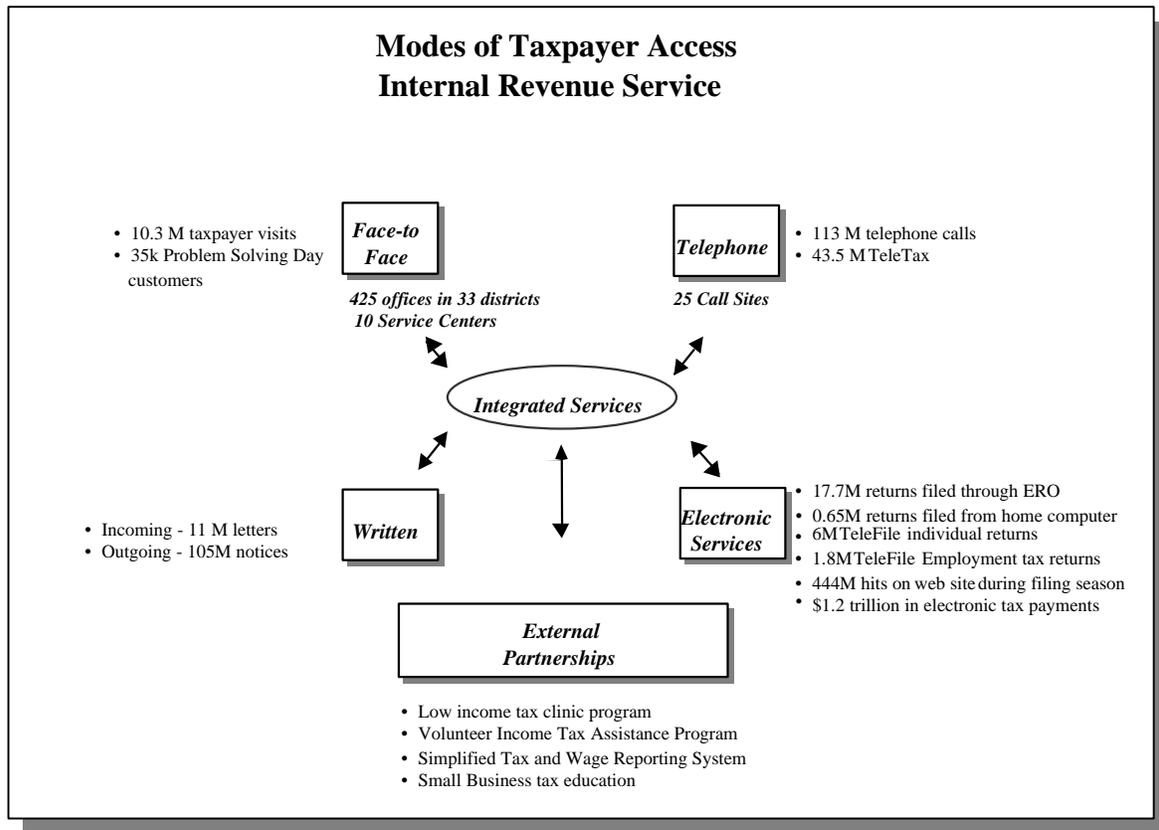


Figure D-4. Modes of Taxpayer Access, IRS

Face-to-Face

The IRS offers face-to-face service in approximately 425 offices around the country. In FY1998, 6.8 million taxpayers visited IRS offices, compared with 6.7 million in FY1997.

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Standardized Services

A study of walk-in offices conducted in 1997-98 indicated inconsistency in the services provided. For the 1999 filing season, the Service issued instructions to all walk-in offices to standardize taxpayer services to ensure the same opportunities to all taxpayers regardless of location.

Problem Solving Days

Problem Solving Days, first instituted in 1997, are designed as an outreach effort to assist taxpayers by providing a different forum for resolving tax problems. These events provide for face-to-face contact with IRS employees from many functional areas and provide a means for identifying systematic causes for certain problems. During its first year of operation, over 35,000 taxpayers took advantage of this service.

Walk-in Research Strategy

The IRS is conducting a study of the walk-in program to address the following:

- Customer profiles, to determine:
 - Which taxpayers use the program?
 - Why do they use the walk-in office rather than an alternative?
 - Should additional services be provided?
 - What changes would taxpayers like to see?
- A determination of staffing needs, including the knowledge, skills and abilities the job requires
- A determination of the appropriate number and locations of offices and a model post-of-duty.

Queuing System Installation

The IRS is currently installing Queuing systems in many walk-in offices nationwide. This on-line system improves customer service by allowing managers to monitor the flow of taxpayers and respond to peak periods that may require additional temporary staffing or specialized experience to minimize taxpayer wait time.

As customers arrive, they take or are given a numbered ticket from the ticket printer for the category of service needed. In FY 1999, five major categories exist at all sites:

- 1) Tax Issues
- 2) Inquiries about Notices/Correspondence/Refunds
- 3) Form W-7, Application for Individual Taxpayer Identification Number
- 4) Forms/Publications/Payments
- 5) Return Preparation.

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The ticket shows both the number assigned and the estimated wait time for the category of service and the system automatically calls the customer when an assistor is available. The customer no longer has to stand in line waiting for service.

Saturday Service

From January 16 to April 10, 1999, approximately 260 locations provided Saturday service from 8:30 am to 12:30 pm. They included traditional walk-in offices and nontraditional sites such as community centers, libraries, post offices, and shopping malls. An additional 141,725 taxpayers received assistance during the Saturday service dates. Traditional locations offered the same range of services as provided Monday through Friday, while the non-traditional locations offered forms and publications and tax return preparation.

Taxmobile Tours

Taxmobiles are specially equipped and staffed vans offering tax return preparation, tax form distribution, and technical assistance. IRS piloted three Taxmobile projects during the 1999 filing season to provide access to customers in remote areas and reduce travel time or frustration about inability to receive walk-in service.

To publicize the projects, IRS sent news releases to local radio, newspaper, and television stations. One project sent letters introducing the program and identifying the site locations to the mayor, the Chamber of Commerce, public health officials, county commissioners, U.S. legislators, state legislators, and the Department of Family and Children's Services.

Written

In 1998 the IRS sent taxpayers 105 million notices and received almost 11 million incoming pieces of correspondence. The majority of this correspondence related to account issues such as missing payments, refund inquiries, or a balance due.

Notice Redesign Project

The language of current notices is difficult for customers to understand. The Notice Redesign Project was established in 1997 to reduce taxpayer contact on selected notices. The Service is concentrating on the 10 to 15 notices with high taxpayer impact and high to medium volumes. Effective design changes will make notices easier to understand, eliminating the need at least for some taxpayers to contact the IRS. In addition to improving readability, the project is eliminating redundant and unnecessary notices. To date, more than 30 notices have been eliminated, reducing the number of notices mailed by approximately 35 million per year.

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Meanwhile, the Service has developed a section on The Digital Daily, the IRS home page, to explain in plain English eight high-volume notices and how to respond.

Telephone

The IRS answers over 100 million telephone calls each year at 25 call centers throughout the country. The calls are received on three main product lines:

- Basic tax law questions
- Responses to notices
- Refund and earned income tax credit questions.

Approximately 43 million calls were received on the TeleTax system in FY1998. TeleTax is an automated system where taxpayers can find out the status of their refund and hear prerecorded messages on specific tax topics.

Three major customer service call site automation initiatives were introduced during FY1999. These projects, the Customer Service Operations Center, the TeleCenter System Scheduler/Forecaster, and the Customer Service Call Router, are initial implementations of technology to be fully deployed under modernization.

Customer Service Operations Center (CSOC)

The CSOC, located in the Atlanta Customer Service Center in Atlanta, Georgia, is a centralized management control organization using the latest technology to monitor the status of call traffic, customer service staffing, and telecommunications nationwide (24 hours a day, 7 days a week). The CSOC is also responsible for planning and developing schedules for all customer service telephone activity. It consolidates functions originally split among call sites, districts, regions, service centers, and throughout the national office.

Using state-of-the-art technology, the CSOC:

- Coordinates call centers' resources and activities so that all call centers appear to customers as a single entity (virtual call center) through one toll-free telephone number.
- Routes calls dynamically based on available resources across the Call Center "enterprise."
- Gathers, analyzes, and reacts to real-time data about telephone demand and available resources to ensure consistent high access for customers enterprise-wide and toll-free.
- Schedules and forecasts future enterprise-wide workloads and workforce needs.

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- Balances customer service staffing resources with the telephone and non-telephone workload.
- Resolves staffing and skill shortfalls or surpluses identified by the call centers in accordance with the union agreement.

In addition to telephone, fax, pager, and e-mail, CSOC utilizes an intranet web site to share information with call centers and stakeholders about call center issues and telephone program performance. Weekly conference calls are conducted with call centers and stakeholders to summarize the current status of telephone operations and related real-time issues, as well as to discuss future issues such as schedules.

Customer Service Call Router (CSCR)

The CSCR balances call volumes between sites by determining the best route for any incoming call, based on available staff and skills, and queue times at all sites. The system was implemented in FY1998 on a limited test basis. It is now deployed nationwide among 25 customer service call sites and at two network control centers. The CSCR equipment interacts directly with AT&T Intelligent Call Processing (ICP) service to participate in network-level call routing. The CSCR uses the ICP service to receive routing requests on incoming call attempts and return call routing responses, and provides both initial call routing for each incoming call and post routing for calls encountering a longer than expected queue time.

Benefits of the CSCR include:

- Improved customer service through increased customer access and reduced queue time
- Improved productivity through more efficient use of IRS personnel
- Reduced costs by reducing queue time, abandoned calls, repeat call attempts, and reducing interflow circuits between customer service sites
- Improved reporting of business performance through automatic collection and consolidation of key performance metrics with recurring and ad hoc reports that depict nationwide and site performance and trend analysis.

Tele-Center System (TCS) Scheduling/Forecasting Software

Since the inception of toll-free telephone service, Customer Service has computed staffing schedules manually, a contributing factor in longer queue times in certain subject areas as a result of under staffing or inaccurate scheduling of staff. The increased emphasis on improving customer service requires the Service to determine calling patterns more accurately and provide toll-free routing support to customer service sites. Current and future efforts to route calls on a national level dictates the need to find an effective method of deploying resources.

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The Service is installing TCS scheduler/forecaster software that gathers staff and call volume information from each call site, transmits the information to a centralized location, and uses the information to forecast future volumes and staffing requirements. TCS will be used locally to prepare individual site employee work schedules. Features include:

- Half-hourly forecasting of call volumes by application or agent group.
- Real-time scheduling of staff by employee type and skill level, with adjustments as necessary.
- Tracking and real-time monitoring of site ability to adhere to schedules and meet demand.
- Tracking agent talk time, sign-on time, calls answered, skills inventory groupings.
- Long-term maintenance of data for future scheduling.
- Interface with the CSOC Intelligent Call Router.

Telephone Routing Interactive System (TRIS)

TRIS is composed of a menu-based call routing application (the Master Customer Service Script) that permits taxpayers using a touch-tone telephone to direct themselves to the appropriate automated assistance that resolves selected customer inquiries without intervention of a customer service representative.

IRS began implementing TRIS in 1993 and completed implementation at all call sites in 1998. Interactive applications now in use include the following:

- Voice Balance Due, which allows callers to get an extension of time to pay tax or set up an installment agreement.
- Transcript, which provides an account transcript or return transcript to the caller's address of record.
- Refund Inquiry, which provides the status of the caller's refund.
- Payoff, which gives callers their payoff balance.
- Survey, which requests customer feedback on the automated service call just completed.
- VPPIN, which allows the caller to establish a PIN to access account interactive applications and replaces a disclosure interview.

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- View Credit, which provides the status of payments made by the caller.
- View Debit, which gives the caller a detailed or summarized account history for a chosen tax year.
- Refund Trace, which files a claim for the caller's lost, stolen, or destroyed refund check.

Electronic Services

The Digital Daily (Home Page)

The IRS has an award-winning web site called The Digital Daily at *www.irs.ustreas.gov*. It received 531.3 million hits between January 1 and March 21, 1999, a 155% increase from the same period in 1998 and topping the previous year's web site usage for the whole filing season.

The IRS' Internet web site provides taxpayers with a wide variety of non-account information, such as general tax information, office locations, forms, instructions and publications, regulations, Internal Revenue Bulletins, recent tax law changes, filing requirements, and electronic filing options. Hundreds of tax forms and publications are available for immediate downloading.

E-mail Tax Law Inquiries

Taxpayers using the web site can submit tax law and general information questions for response by IRS customer service representatives. They are encouraged to use the self-service information available on the site before submitting a question. The taxpayer uses a template to enter a specific question, assign it to a category, and provide an e-mail address for response.

Questions are downloaded to a database and assigned based on issues. A database of prepared answers and frequently asked questions is available, but generally additional information is required to answer the taxpayer's specific question. Many questions submitted via this system are more complex than those received by telephone, requiring more research or answers by employees with higher skill levels.

Customers can complete and return a satisfaction survey after receiving the response to their question. A permanent record of all questions and answers is maintained in a history file, which is used for generating management reports, doing quality review checks, and will be used in the future for issue identification.

The project is still in the early stages of development and is currently not prominently displayed on the IRS web site or referenced in other IRS media. However, receipts have

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more than doubled each year since 1996, when the service was first offered year-round. Projected FY1999 receipts are approximately 300,000.

Automated Tax Law (ATL) on the Internet

A major component of customer service is to increase access to the IRS through use of interactive applications. ATL (also known as Tax Trails) provides tax law offerings through the IRS web site to help customers meet filing requirements. Increasing complexities in the tax law have contributed to an overwhelming need for automated solutions to supplement the human component.

Customers are asked various questions and answers are provided based on their responses. The Internet provides timely and accurate delivery of tax law information to customers 24 hours per day, 7 days per week.

ATL differs markedly from other similar applications, such as TeleTax, in that the customer interacts directly with the application in a scripted question and answer session to obtain specific answers to the individual situation. Links are built to the ATL application to allow customers to download forms and publications as needed.

Electronic Tax Administration (ETA)

In 1998, one out of every five individuals filed their tax returns electronically. Form 1040 IRS *e-file* receipts totaled 24.6 million returns in 1998, a 28.4% increase over the prior year. As indicated below, all *e-file* programs experienced significant increases:

- 17.7 million individual taxpayers e-filed their tax returns electronically through an IRS-authorized Electronic Return Originator (ERO), with 6.1 million of these taxpayers filing their federal and state tax returns simultaneously.
- Approximately 6.0 million individual taxpayers filed their returns over the telephone using the TeleFile system, which won the 1997 "Innovations in American Government" award sponsored by the Ford Foundation.

After a successful pilot, Form 941 TeleFile was implemented nationwide in April 1998. This calendar year, approximately 878,900 quarterly employment tax returns are expected to be filed over the telephone by small businesses, in addition to the 941,400 Forms 941 that are expected to be filed electronically by payroll service providers.

Taxpayers made \$1.2 trillion in tax deposits electronically in the Fiscal Year ending September 30, 1998 using the Electronic Federal Tax Payment System (EFTPS). EFTPS now accounts for well over 80% of all federal tax deposits.

Form 1040 electronic filing (except for TeleFile) currently is a two step process: first, an electronic transmission of the return and second, the mailing of a paper signature

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document. This additional paper requirement has created a perceived barrier to the expansion of IRS e-filing. In 1999, IRS initiated two pilot programs as a means of increasing electronically filed returns:

- On-line Pilot with Taxpayers
- Practitioner Pilot with Tax Preparers.

These pilots provide a paperless filing experience for taxpayers eligible to participate by using an alternative method of signature that eliminates the need for the paper signature form.

On-line Pilot with Taxpayers

The on-line pilot with taxpayers addresses the on-line filing market (i.e., taxpayers using PC tax preparation software to prepare and file their own returns) and targets current on-line and computer-generated paper 1040 and 1040A filers who have prepared their own returns. Eligible taxpayers are able to sign their return with an electronic signature and be freed from the requirement to mail the paper signature document to the IRS. Selected taxpayers who are current on-line or computer-generated paper 1040/1040A filers receive an *e-file* customer number (ECN) on a four-part folded postcard in lieu of a tax package. The taxpayers “sign” their return with the ECN and send it through a third-party transmitter for transmission to the IRS. The ERO responds via e-mail to the taxpayer when the return is accepted. Nearly 650,000 home computer users took up the IRS invitation to file a paperless return.

Practitioner Pilot for Tax Preparers

The practitioner pilot is for taxpayers who use paid preparers selected from a list of practitioners offered to IRS by three organizations selected as part of an IRS procurement process. IRS selected 8,100 practitioners from these three companies, based on experience with the preparers in the past. Taxpayers whose return has been prepared by one of the selected preparers can *e-file* and sign their return using an electronic signature. The preparer also signs with an electronic signature. The preparer helps the taxpayer complete a brief IRS *e-file* authentication worksheet, which contains a pen and ink signature certifying certain figures from the return and a self-selected, one-time use, personal identification number with a certification that the PIN is the signature for purposes of this federal filing. Almost 500,000 taxpayers chose their own PIN to replace signature documents when *e-filing* through tax professionals.

Direct Debit Program

Taxpayers who *e-file* by computer may authorize the government’s financial agents to take the money directly from their checking or savings account. This is similar to direct debit arrangements many people have for their monthly mortgage, auto, or utility

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payments, except it is for a single transaction. More than 74,000 taxpayers chose this option.

Credit Card Payment

Another innovation in 1999 allows taxpayers to charge the tax balance due on a credit card. Taxpayers may call a toll-free number to charge their 1998 federal income tax to a MasterCard, Discover, or American Express card. Estimated taxes for 1999 cannot be charged. Taxpayers who use one type of tax preparation software to *e-file* from home may pay the balance due by including their Discover card number as part of the electronic file they send. More than 53,000 taxpayers charged their balance due this year.

ETA Strategic Plan

The IRS Restructuring and Reform Act of 1998 required the IRS to develop a strategic plan designed to eliminate barriers, provide incentives, and use competitive market forces to make significant progress toward the following goals:

- The overriding goal of receiving 80% of all tax and information returns electronically by 2007.
- The interim goal that, to the extent practicable, all returns prepared electronically should be filed electronically for taxable years after 2001.

To address these goals, the IRS has developed “A Strategy for Growth,” a document that articulates its plans and priorities including:

- Continuing to build the foundation—the technical infrastructure, marketing services, management improvements, and electronic information services — necessary to support significant growth in electronic transactions and communications.
- To offer innovative products and services that are simple, inexpensive, and trusted in such key areas as individual income tax, other business returns, payroll tax, and electronic payments.

As taxpayers become more comfortable and satisfied with a specific aspect of ETA, they will likely begin using other products and services.

As further required by the IRS Restructuring and Reform Act, the IRS will be reporting to Congress annually on its progress toward developing a return-free tax system for appropriate individuals. The first report will be submitted to Congress by June 30, 2000.

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TAX Interactive

TAX Interactive, or ***TAXi***, is an on-line learning center developed for high school students. The web site was launched on the Internet on July 6, 1998. This joint educational project of the IRS and the American Bar Association is designed to help high school students understand their tax responsibilities. The web site complements the existing high school understanding taxes program. The four modules include:

- ***It's Payday*** – You're finally earning some cash? Now find out why not all of it will make it to your pocket.
- ***IRS e-file*** – Learn how to file your taxes electronically.
- ***It's Your Town*** – It's your town all right, and now you can learn where all your tax money goes.
- ***What is Fair?*** – We pay taxes for a reason. But . . . What is fair?

Two modules are being developed to expand the web site, History of Taxation and Teens as Small Business Owners. IRS is working with members of the American Bar Association's Section of Taxation to present ***TAXi*** in school visits. The web site also includes Tax Terms (dictionary), Teacher's Toolkit, and an E-mail and Help Section. From January 1999 to April 1999, ***TAXi*** received more than 235,000 hits.

External Partnerships

Low-Income Taxpayer Clinic (LITC) Program

To assist low-income taxpayers, the Service is implementing the LITC Grant Program, to awarding matching grants of up to \$100,000 per year to qualified organizations to develop, expand, or continue taxpayer clinics that qualify. These clinics help low-income taxpayers in controversy with the IRS to obtain low-cost legal assistance. Organizations helping those for whom English is a second language can also receive grants. The IRS has set aside up to \$6 million in funding for FY 1999 with the first grants awards in July.

Free or Low-cost e-file

A number of software companies offer free or very low-cost federal and state tax preparation and electronic filing services over the Internet to millions of taxpayers. For taxpayers who lack personal access to the Internet, public access is available through libraries, schools, and community centers.

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Using IRS *e-file* at VITA/TCE Sites

The Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) and IRS *e-file* joined forces several years ago. Volunteers prepare tax return information on computers and transmit them electronically to the IRS.

IRS-trained volunteers prepare basic income tax returns free of charge at VITA/TCE sites for individuals of low to moderate income, individuals with disabilities, non-English speaking taxpayers, and the elderly.

Computer equipment not being used by IRS personnel will be made available to VITA/TCE programs for electronic filing. The expansion of *e-file* return preparation at volunteer sites will continue to be a major objective for FY 2000. Electronic filing at VITA/TCE sites increased during the 1999 filing season; VITA/TCE volunteers prepared nearly 500,000 *e-file* returns for taxpayers.

A working group has formed to address the needs of the VITA/TCE sites and identify the volume of computers to be shipped to the IRS District Offices in time for next filing season. This group is chaired by Customer Service with staff members from Electronic Tax Administration and Information Systems.

Small Business Tax Education

Business Information Centers

In cooperation with the Small Business Administration, the IRS is piloting a project to assist small business owners. Business Information Center (BIC) sites are being piloted in Chicago, Los Angeles, Atlanta, and Boston. IRS representatives are available at the BICs one day a week to provide future small business owners with one-on-one mentoring services. Topics include how to start a business, how to stay in business, and techniques for developing a working business plan.

Small Business Interactive CD-ROM

The IRS is developing a CD-ROM for new small business owners and self-employed taxpayers. The new materials will be self-instructional, computer interactive, and usable in a classroom setting.

Small Business Resource Guide

The "Small Business Resource Guide: What You Need to Know about Tax and Other Topics" (Publication 3207) is available on CD-ROM. It was developed by the Small Business Administration and the IRS to help small businesses understand federal tax and other business topics and provides information needed before going into business, closing, selling, or changing a business structure.

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Small Business Web Site

The IRS web site has added a "Small Business Corner" that provides tax information for small business entrepreneurs. It can be accessed under the "Tax Info for Business" section of the IRS Homepage. The site links to other important small business web sites.

Simplified Tax and Wage Reporting System (STAWRS)

Under the STAWRS initiative, the IRS is working with other federal agencies and the states to reduce employer burden by improving customer service, establishing a Harmonized Wage Code database, and developing a pilot for single-point filing of federal and state employment returns.

IRS and the State of Montana recently announced a three-year cooperative effort between the Montana Department of Revenue, the U.S. Department of Labor, and the IRS. Montana businesses will be able to file both state and federal employment taxes on one convenient form. The Montana Department of Revenue will transmit the federal information electronically to the IRS, avoiding additional paperwork and ensuring accuracy.

International Web Site for Tax Administrators

A new web site is being designed which will allow tax administrators worldwide to exchange non-account tax information. The layout was presented to six countries involved in the site development in June 1999. The site will contain a calendar program highlighting tax conferences, training, and events worldwide.

Integrated Services

Service-wide Electronic Research Project (SERP)

The IRS has implemented a research tool available to more than 22,000 customer service employees. The intranet web site contains IRS manuals, forms, publications, notices, office locations, and so on. The site has received more than 19 million hits since January 1999.

SERP enables customer service representatives to provide consistent, accurate responses to questions. It can immediately update technical information and alerts the representative to changes in procedure or tax law. Future enhancements will include a link to the Internal Revenue Code and court cases.

R-mail

R-mail resulted from the need to improve the cumbersome workload distribution process utilized by Customer Service to refer certain categories of tax law and procedural

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questions to Compliance employees for responses. The process, commonly referred to as Compliance Messaging, involved Customer Service personnel transcribing messages by hand from customer telephone inquiries that were routed to an answering device.

Using the R-mail system, messages/inquiries are received by customer service representatives answering the telephones. They type the questions and send them to the R-mail database located on the centralized server. Compliance personnel throughout the country are able to access the R-mail messages immediately via a browser on their workstations. A compliance employee calls the customer, discusses and resolves the issue involved. The referral is then closed.

7.0 IMPROVEMENT INITIATIVES SUMMARY

Figure D-5 outlines specific IRS initiatives, programs, and activities undertaken by IRS, described in the sections above, to continually improve services to taxpayers and the national government. Chapter 2 of the main report includes short descriptions of each initiative.

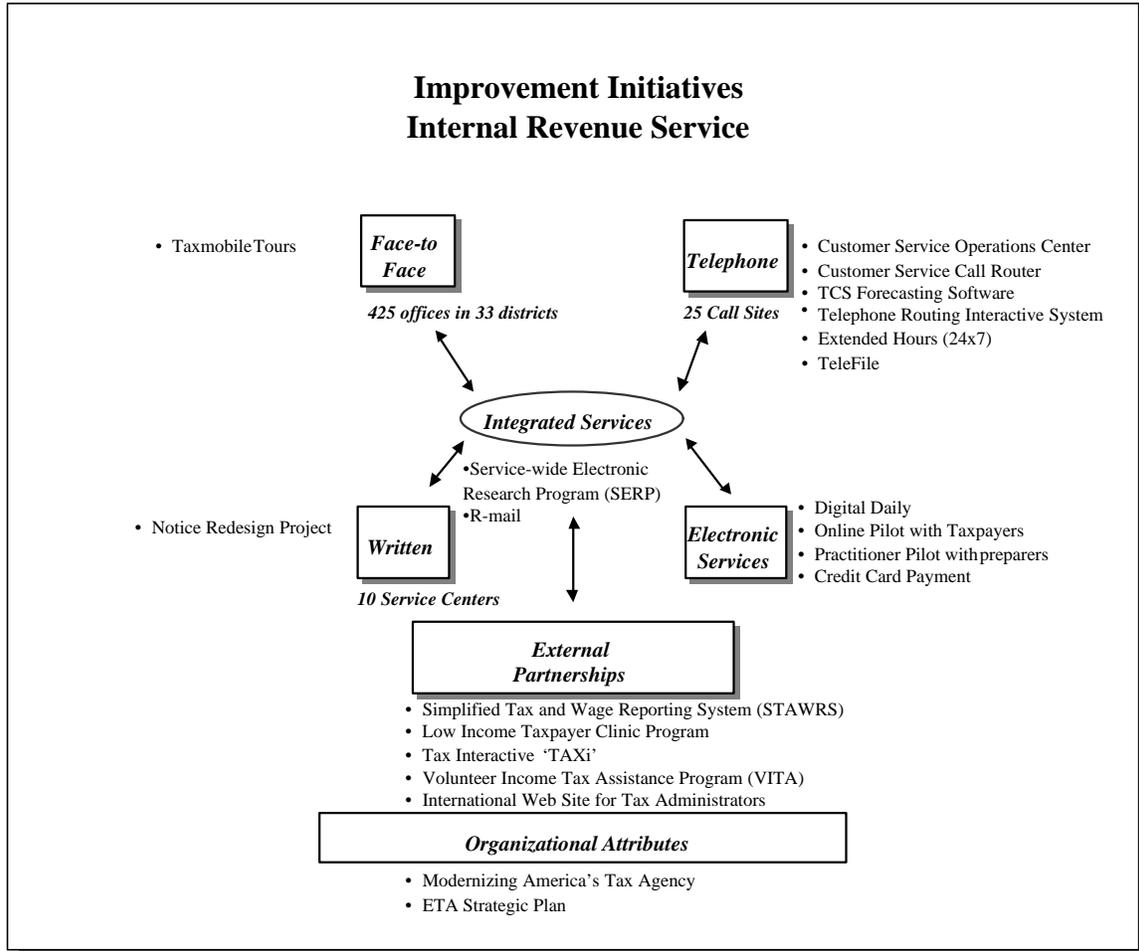


Figure D-5. IRS Improvement Initiatives

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PATA

Benchmarking Study

List of Acronyms

October 1999

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List of Acronyms

ADM	Assistant Deputy Minister
AERS	Automated Enquiry Response System
APQC	American Productivity & Quality Center
ASA	Average Speed to Answer
ATL	Automated Tax Law
ATO	Australian Tax Office
BEP	Business Entry Point
BIC	Business Information Center
BIS	Business Information System
BN	Business Number
CCI	Council for Continuous Improvement
CCRA	Canada Customs and Revenue Agency
CSC	Client Service Centres
CSCR	Customer Service Call Router
CSOC	Customer Service Operations Center
CTI	Computer-Telephony Integration
ECN	e-file customer number
EDDS	Electronic Document Distribution System
EFT-DDDR	Electronic Funds Transfer-Direct Debit Direct Refund
EFTPS	Electronic Federal Tax Payment System
EIN	Employer Identification Numbers
ELCS	Electronic Letter Creation System
ELS	Electronic Lodgment Service
ERO	Electronic Return Originator
ETA	Electronic Tax Administration
GST	Goods and Services Tax
GST/HST	Goods and Services Tax and Harmonized Sales Tax
HECS	Higher Education Contribution Scheme
IBC	International Benchmarking Clearinghouse
ICP	Intelligent Call Processing
INB	Individuals Non- Business
IRS	Internal Revenue Service
IVR	Interactive Voice Response
JTA	Japan Tax Association
LB&I	Large Business and International
LITC	Low-Income Taxpayer Clinic
NTA	National Tax Administration
NTC	National Tax College
OLRAP	On-Line ReAssessment Processing
PATA	Pacific Association of Tax Administrators

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PAYE	Pay As You Earn
PEIB	Public Enquiries Information Bank
PRP	Problem Resolution Program
RFT	Request for Tender
RRSP	Registered Retirement Savings Plan
RTB	Regional Taxation Bureaus
SBI	Small Business Income
SBIS	Small Business Information Seminars
SERP	Service-wide Electronic Research Project
SIN	Social Insurance Number
SRA	SRA International, Inc.
SSA	Social Security Administration
SSN	Social Security Number
STAWRS	Simplified Tax and Wage Reporting System
Tax ANSER	Automatic Answer Network System for Electronic Requests
TC	Tax Centre
TCS	Tele-Center System
TFN	Tax File Number
TIPS	Tax Information Phone System
TPR	Taxpayer Requested
TRIS	Telephone Routing Interactive System
TSO	Tax Services Office
VITA/TCE	Volunteer Income Tax Assistance/Tax Counseling for the Elderly
WST	Wholesale Sales Tax

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